

Economic & Redevelopment Strategies for

Kings Beach and Tahoe City CALIFORNIA

Final Report

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Economic &
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Real Estate Economics

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VOLUME I

IMPLEMENTATION STRATEGY FOR THE REDEVELOPMENT OF KINGS BEACH AND TAHOE CITY

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I. INTRODUCTION

The Placer County (County) Redevelopment Agency (Agency) is engaged in an effort to improve the conditions present in the North Lake Tahoe Redevelopment Project Area made up of the communities of Kings Beach and Tahoe City. As part of that effort, the Agency contracted with Economic & Planning Systems, Inc., (EPS) in February 2006 to conduct a land use demand study (Study).

This Implementation Strategy for the Redevelopment of Kings Beach and Tahoe City (Strategy) is the third of three documents produced by EPS for the Agency. The first document, "Stakeholder Interviews and Study Implementation Recommendations" (Stakeholder Interviews [attached as **Volume III**]) identified key issues as expressed by participants in the community and local economy and resulted from extensive interviews and site visits. The second document, "Kings Beach and Tahoe City Redevelopment: Market Opportunities and Constraints," (Market Study [attached as **Volume II**]) identified the economic conditions present in those redevelopment areas.

The Stakeholder Interviews and Market Study served as a foundation for the implementation measures recommended in this Strategy, which has been written to provide a conceptual framework for planners and policy makers that is based on the current economic, physical and regulatory conditions present in the redevelopment area.

This Strategy provides an overview of the conditions present during the time when the initial research was conducted, spring of 2006. The Strategy touches on many aspects of community development, some in more detail than others. The situation is dynamic and it is possible that programs and policies have been implemented since the initial drafting of this Strategy which may change some of the facts presented. This Strategy should be viewed as a point-in-time snapshot intended to guide policy-makers towards productive redevelopment implementation measures.

Based on community outreach and the economic analysis, an aggressive Implementation Strategy for Kings Beach and Tahoe City is recommended. The market basis for these recommendations has been characterized and shared with the County, the Tahoe Regional Planning Agency (TRPA), California Tahoe Conservancy (Conservancy) and other stakeholders. Stakeholder public agencies have expressed interest in contributing and coordinating toward the goal of improving the appearance and economic performance of these communities, and in Kings Beach demonstration projects are being designed in concert with major private-sector property-owners that are consistent with criteria being developed jointly between TRPA and the Agency.

Following this introductory chapter, the Strategy is organized as follows:

- **Chapter II** provides the key findings resulting from the overall Study;
- **Chapter III**, Site Conditions, as its title implies, provides a detailed physical description of the redevelopment area that highlights amenities, opportunities, and problem areas;
- **Chapter IV** presents a brief recap of the Market Study and includes a financial feasibility analysis of multiple hypothetical development projects;
- **Chapter V**, Redevelopment Conditions and Considerations, presents the subjects to be addressed via the redevelopment implementation measures presented in this Strategy;
- **Chapter VI** provides the recommended redevelopment approach and implementation measures for Kings Beach; and
- **Chapter VII** provides the recommended redevelopment approach and implementation measures for Tahoe City.

As mentioned, this Strategy includes information previously presented in the Stakeholder Interviews (**Volume III**) and Market Study (**Volume II**). Both of the previous documents provide background information in greater detail and serve to inform the recommendations brought forward in this Strategy. This Strategy was prepared to be a “stand-alone” document and, for that reason, is presented as **Volume I** of the three volume set of documents, with the Market Study being **Volume II** and Stakeholder Interviews, **Volume III**.

Throughout this Study, the EPS team¹ has participated in numerous meetings and conversations with County staff, staff and consultants of the TRPA, the Conservancy, the North Tahoe Public Utilities District (NTPUD), the Tahoe City Public Utilities District (PUD), Tahoe Area Rapid Transit (TART), and the California Department of Transportation (Caltrans). These outreach and coordination efforts have served to inform further the overall study recommendations and emphases.

¹ Includes Joe DeCredico of Garcia DeCredico Sherman, Catherine Hansford of Hansford Economic Consulting, and Denise Duffy and Associates.

PURPOSE

The purpose of this Strategy is to perform the following tasks:

- Identify, in general terms, the factors impeding redevelopment project feasibility;
- Identify concepts consistent with and developed parallel to the TRPA Place-Based Planning recommendations, part of the Pathways 2007 project;
- Identify barriers that, if removed, likely will improve the chances for redevelopment; and
- Recommend key actions and strategies to guide redevelopment efforts in Kings Beach and Tahoe City.

This Strategy sets the context for more specific financing and policy analysis by providing a conceptual overview of implementation-level next steps and is not a substitute for detailed completion of those steps.

II. FINDINGS

The entire Lake Tahoe basin is in the midst of environmental, economic and social re-evaluation. Stakeholders in the region, including public and private participants, are recognizing the need to develop a collaborative strategy to guide positive change.

Lake Tahoe's primary assets, its clarity and beauty, have been compromised as a result of run-off and pollution. The economic vitality of many communities is being compromised by patterns of use change, properties that are allowed to deteriorate, and the demand for retail activities being captured in the recent trend of "all-inclusive" resorts. Add to this the continuous real estate value escalation of the past decade, effectively pricing working families out of the Tahoe Basin communities including Kings Beach and Tahoe City, and the results are deteriorating communities, increased commuting in single-occupant vehicles, and a lack of support for local retail establishments. While the 1987 TRPA Regional Plan has led to some improvements in the built environment, there are unintended consequences created by the regulatory efforts.

The following list presents the major findings of this Study. Strategic approaches to redevelopment and project implementation are presented for each community separately in **Chapters VI** and **VII** of this Strategy.

1. **Baseline Conditions.** The North Tahoe region has inadequate visitor accommodations/conference facilities, a dysfunctional housing market, and suffers from economic stagnation and a sprawling, unattractive land use pattern.
2. **Community Needs.** Housing and community infrastructure necessary to serve a full-time population base, including convenient medical and personal services, are necessary to restore the economic resilience of the North Tahoe region. Full-time residents provide the human capital for a stable community, participating in local governance and supporting the commercial sector. A comprehensible, consistently applied County and regional regulatory process will be necessary to attract investment in housing and community infrastructure.
3. **Workforce Housing.** Pressures on the housing market, exacerbated by the intense regulatory environment necessary to protect the lake, have created a housing affordability crisis for the local workforce. Meeting the needs of the local economy will require a similar level of public intervention through targeted resource generation, financing, and development of units to serve a variety of income levels. Existing dilapidated structures serving as workforce housing need to be replaced with decent housing units with increased density and coverage allowances which should lead to an eventual net increase in units available for workers. As with all development in the basin, workforce housing development is required to be undertaken in balance with the environment. Use

of a land trust, permitting of higher density units, and creation of soft second-loan programs should be used to serve moderate-income² essential workers who are also priced out of the housing market.

4. **TRPA Project Development Requirements.** Revision of the regulatory process in Kings Beach and Tahoe City may be an outcome of a recent “Place-Based” planning process sponsored by the TRPA as part of the Pathway 2007 process. It is expected, however, that any such revisions must necessarily reinforce the following goals:
 - Lake access and environmental quality
 - Visual quality
 - Open space preservation
 - Reduced vehicle activity
 - Economic sustainability
 - Social benefit
5. **Community Plan Revisions.** Currently, the TRPA and the County have five adopted Community Plans including Kings Beach and Tahoe City. The TRPA, the County, and the community now will need to revise these plans to “reflect new regional planning policies and local aspirations.”³ The revisions should also be expanded to reflect existing development and to take advantage of infill development opportunities.⁴
6. **Improved Supply of Visitor Accommodations.** The economic engine for the redevelopment area is tourism, as the Tahoe area is often recognized as a top global vacation destination. Yet the visitor accommodations in Kings Beach and Tahoe City are woefully inadequate, prohibiting the realization of community wealth that should materialize to the benefit of the local community. Presently the redevelopment area is subject to a shrinking inventory of motel rooms. There are approximately 250 rooms in each community, with an average age of 45 years overall. Strong opportunities exist for first-tier resorts incorporating state-of-the art conference facilities if public and private interests effectively

² Moderate income refers to household incomes which are considered between 80 percent and 120 percent of area median. Low income households fall between 50 percent and 80 percent of area median and very low income households earn less than 50 percent of area median. The 2006 median income for a household of four as published by the State Dept. of Housing and Community Development is \$65,400 in Placer County.

³ Pathway 2007 Placer County Vision Summary, August 2006, page 5.

⁴ The majority of Kings Beach residential development lies in PAS 28 which is outside of the current community plan area.

address the sustainability goals (i.e., positive impacts on the environment, community, and economy; see **Chapter V**) referenced by TRPA.

7. **Retail Consolidation and Improvement.** Given the current level of consumer demand, there is little room for increasing the supply of retail businesses. The recommended direction for retail is to concentrate the retail uses in compact locations within mixed use districts at key nodes. An increase in the level of demand by increasing the market share of tourist business and increasing the number of permanent residents will be required to successfully increase the overall supply of retail use.
8. **Development of Mixed Income Housing in Mixed Use Projects.** Public and private sector benefits can accrue through mixed income housing in mixed use projects (commercial/residential). Granting regulatory approval for certain mixed use development projects including market rate–housing could create an economic engine for development of affordable units in the community. Mixed use projects and districts create vibrant, walkable communities. Regulatory changes are required to allow these types of projects to go forward.
9. **Diversified projects can provide financial strength to investors.** Multiple product types (i.e., retail, office, residential, hotel) in mixed use projects can yield a variety of income sources contributing to robust and diverse returns to developers, owners, and operators, as identified below:
 - Market-rate condos (up-front revenue)
 - Fractional development (combination up-front/operating revenue)
 - Full-service hotel (operating revenue)
 - Condo-Hotel (combination of up-front/operating revenue)
 - Retail (operating revenue)
 - Professional office (operating revenue)
10. **The redevelopment area has an excellent opportunity to become more economically vital,** increasing the tax base and generating revenue for public services and projects over the next 10 years. This transformation is made possible by an alignment of these factors:
 - a. A sustainable development vision shared among the County, the TRPA, and the community;
 - b. Market forces supporting emergence of new accommodations and mixed use–development prototypes;
 - c. Private development interests that will respond well to reduction of entitlement risk;

- d. Public stakeholder interests with key properties, expertise, and political clout to move projects forward; and
 - e. The Agency and other agency investment tools available to assist in Demonstration Project implementation.
11. **A public sector cooperative approach will be necessary** to accomplish effective redevelopment in Kings Beach and Tahoe City. Improved coordination and communication among the regulatory jurisdictions are imperative to the redevelopment process. The County, through its Redevelopment, Planning, and Public Works Agencies, TRPA, the Tahoe City PUD, NTPUD, the Conservancy, the Forest Service, and Caltrans are all major contributors to creating a community supporting the environmental, economic and social balance.
12. **Regulatory changes are fundamental to successful redevelopment efforts.** Successful redevelopment in both communities is dependent upon a coordinated and streamlined development application review that emphasizes mixed use development in appropriate locations, and balances density and environmental concerns.

III. SITE CONDITIONS

Physical site conditions, regulatory processing and infrastructure concerns present significant obstacles to private and redevelopment initiatives. The combination of these obstacles, and the fact that many development rights are bought, sold and transferred in a market devoid of a comprehensive urban redevelopment planning strategy, presents an environment that rewards a “path of least resistance” development approach. Consequently, many difficult, blighted sites that should be redeveloped in a comprehensive plan remain blighted and further discourage community reinvestment.

Kings Beach and Tahoe City are two very different types of communities. Kings Beach is dominated by the beach that defines the center of town. It is a community that always has catered to working-class families as a vacation destination and currently is home to a significant working-class residential community. Kings Beach has an industrial zone, known locally as the “hill,” a full-time residential community, the tourist and recreation amenities, and a significant, yet underutilized, community amenity in the conference center. Tahoe City is focused primarily on tourism and recreation. Its major assets include the marina, a major public park and beach, the golf course, and rafting. Tahoe City is at the nexus of three major vehicle corridors and is home to the North Tahoe Middle and High School.

State Route 28 (Highway 28) is the primary vehicular organizing corridor for both communities. It operates simultaneously as the primary thoroughfare for all of the north shore communities, the scenic lakeside route, the collector street for all Tahoe City and Kings Beach local traffic, and the primary commercial core business street. Highway 28 is both a State highway and a main street, particularly in Kings Beach, where the uses for Highway 28 are in continuous conflict, often creating dangerous conditions. In general, Highway 28 in Kings Beach is neither pedestrian- nor bicycle-friendly, and traffic movement is too fast and continuous to create activity centers around commercial or civic uses.

KINGS BEACH

Kings Beach presents land use patterns of both a centrally focused community and a linear strip model. The overwhelming presence of the beach itself, as a central focus to the community, and the bisecting linear nature of Highway 28 combine to create the potential for a vibrant commercial district focused on the beach. Significant barriers to a comprehensive node-based development strategy exist, however, in part because of the width of the highway, the speed control of the through traffic, the limited pedestrian amenities, and the practice of clearing the roads by pushing the snow to the edges of the road.

Current land use developments defining Kings Beach are those of a linear strip community with a predominance of highway commercial on both sides of the road, flanked by a cohesive residential grid on the land side and a sporadic combination of outdated tourist accommodations, compact residential developments, and dispersed single-family homes on the lakefront side. A linear industrial zone defines and limits the land side of the residential grid.

As Kings Beach was originally a campground and seasonal resort destination, it lacks a sufficient community-based infrastructure layout, which impacts both water management and streetscapes. According to the Public Utilities District, most of the water lines are not in the streets but at the rear of parcels. Water run-off is difficult to control, and there are few water management areas in the community. The relatively compact nature of Kings Beach should make it practical to walk or bicycle throughout the community; however, there are few sidewalks. Therefore, on any given morning, elementary-aged children walk to school in the streets.

The Market Study (**Volume II**) identifies a significant need for workforce housing in Kings Beach. Currently, many people who cannot afford to rent in Kings Beach, or choose not to live in substandard housing, are forced to commute from other communities in personal vehicles. If new workforce housing is constructed in Kings Beach in close proximity to existing transit nodes, there would be a valuable opportunity to enhance current transit ridership.

There are six major land uses represented in Kings Beach:

- Housing;
- Tourist Accommodations;
- Retail/Commercial;
- Community Serving;
- Industrial; and
- Open Space.

HOUSING

The majority of Kings Beach is set up as a grid of residential blocks subdivided in lots 25-feet wide by 125 feet deep, a formation resulting in blocks approximately 700 feet in length and 250 feet deep. The housing stock ranges from old camp cottages, some as small as 100 square feet, to overcrowded trailer parks, converted motels, single-family cottages, and newer single and multifamily housing projects. A secondary area on the

lake front that is known as the Brockway area consists primarily of older single-family homes. Single-family homes also are dispersed in areas such as the Secline Beach area.

TOURIST ACCOMMODATIONS

The primary area of tourist accommodations is along Highway 28, and consists almost entirely of one and two story motel type buildings with surface parking and exterior entries. Nearly all of the remaining stock needs significant renovation or replacement. There are several motels, some in the residential grid and some along Highway 28, which have been converted to full time apartments and are leased primarily to low income families and entry level workers. A fraction of the current tourist accommodation units are on lakefront properties and have direct views of the lake.

RETAIL/COMMERCIAL

Nearly all of the retail and commercial space in Kings Beach is housed in buildings that originally served other uses and are in critical need of upgrading or replacement. Most are stand alone buildings that have little potential for mixed-use; however, there are some buildings that should be preserved either because of their historical architectural character, or because they house building specific businesses such as a supermarket, restaurants and gas stations. An analysis of existing building stock should be initiated on a project by project basis.

Kings Beach also has a nine-hole golf course as a retail recreational element.

COMMUNITY SERVING

In addition to a library, elementary school and Boys and Girls Club, Kings Beach has a Conference Center which is a significant public amenity in that it provides both large and small meeting and activity spaces for the community, local and regional organizations, and business groups. Housed in a converted bowling alley, the successful operation of the Conference Center suffers from major obstacles, the physical characteristics of the bowling alley, the lack of effective marketing, management approach and the lack of acceptable accommodations for convention or conference organizers.

INDUSTRIAL

The area of Kings Beach known as “the hill” is home to a variety of light industrial and storage uses. Most of these have a residential component attached to them. Based on interviews, there appears to be little growth in the industrial uses, as most industrial business owners can find less constrained options outside of the Lake Tahoe basin. On some properties there is evidence of physical improvements, including water management improvements; however, most of the industrial properties are in various states of disrepair.

OPEN SPACE

Kings Beach is focused around the beach. It is a tremendous asset to the community both as a recreation amenity for residents, and as an attraction for tourism. Associated with the beach is a public boat launch; however, residents claim that it is unusable in all but the high water portion of the year. A multi-use park has been constructed adjacent to the park to provide picnic and basketball facilities, and there appears to be ample parking most of the year. There are few other open space amenities in Kings Beach, and there are none within the residential grid. Some vacant lots are appropriated by children; however, they appear primarily to use the school grounds, the recently relocated Boys’ and Girls’ Club, and the dirt parking courts in their multifamily apartment complexes.

With the exception of the plaza at the beach and the beach front, there are no other significant public open spaces, such as plazas or wide streetscapes for people to congregate and socialize in the community.

PARKING

The lack of adequate, visible and convenient parking in Kings Beach is evident throughout the community. The primary visible public parking area is located adjacent to the conference center and beach area.

The environmental impact report associated with the Commercial Core project underway in Kings Beach required off street pocket parking lots. The Agency has, therefore, been purchasing land and parking development rights and is constructing small surface lots in the community; however, these spaces are both expensive and lack visibility to the highway. This method of parking provision is unlikely to provide the parking density required to support future development.

TAHOE CITY

The site conditions at Tahoe City differ significantly from Kings Beach in that there has been much effort made to develop important pedestrian streetscape amenities, and significant community reinvestment in building facade rehabilitation has occurred. Major public open space has been constructed along the lake shore.

Tahoe City is known for the “Wye,” the intersection of Highway 28 and State Route 89 (Highway 89). This area is both a gateway to Tahoe City and a major connection to the West Shore communities. It is also the first opportunity to see Lake Tahoe upon entering from Highway 89. The view to the lake, however, is blocked by a development of marginal building stock occupied by valuable users on the northeast side of the “Wye.”

The community overall lacks strong organizational and land use principals, and throughout the years, significant development has occurred in often conflicted situations. A highly visible example of this is the golf course. While this could be a major community and tourist amenity, it is currently isolated, located behind a series of underutilized buildings and development service areas.

Like Kings Beach, Tahoe City is a linear developed community with nearly all of the primary amenities and services located along the highway. Unlike Kings Beach, there are very few residential developments adjacent to the core business district. And while this makes Tahoe City a central location for the dispersed residential communities to the north and south, the primary means of transportation to these amenities is the car.

Over the past decade, as the resorts at Squaw Valley and Northstar became more all inclusive, and the demand for the local retail services decreased, many Tahoe City businesses have struggled for survival.⁵ Some have simply abandoned their properties, leaving them vacant and blighted, while others have continued operations in facilities in need of rehabilitation or replacement. Still others have continually upgraded their properties in hopes of drawing both desirable retail tenants, and their customer base. The result is that dedicated land owners are forced to survive adjacent to properties that are either abandoned or in disrepair.

The new streetscape improvements appear to have been quite successful in promoting increased pedestrian activity in the commercial core. This level of improvement, while not supported by the majority of the retail and tourist accommodation facilities,

⁵ This trend has similarly impacted Kings Beach.

provides Tahoe City with a valuable amenity that is both highly functional, visually pleasing, and enhances this important social space.

Transit in Tahoe City is underserved both in terms of proximity of stops and the service schedule. Observations throughout this study in both peak and shoulder seasons revealed that the central stop in Tahoe City was heavily used, but that use significantly lessened at other stops. Because of Tahoe City's central location with regard to both ski areas, and lakeside communities, the opportunity exists to develop it as an inter-community transit hub with linkages to ski areas and other lakeside communities. The County recently approved a transit center in Tahoe City to capitalize on these conditions.

There are six major land uses represented in Tahoe City:

- Tourist Accommodations;
- Retail/Commercial;
- Open Space;
- Community Serving;
- Industrial; and
- Housing.

TOURIST ACCOMMODATIONS

In Tahoe City, the area of tourist accommodations is along Highway 28, clustered near the "Wye," and the Granlibakken Resort. There are a variety of unit types from one- and two-story motel type buildings to small clusters of fractional units. Overall there are too few units to represent a significant resort primarily because of the fact that most tourist units in the area are in homes in the surrounding communities. This results in a suburban development pattern, dispersing visitors away from retail services and promoting increased vehicle trips. Many visitors who use the single-family homes for vacationing come fully stocked with food, equipment, and even entertainment options that directly impact their need or desire to shop locally.

RETAIL/COMMERCIAL

Retail and commercial spaces are spread throughout Tahoe City and for the most part, the facilities have been well maintained or have been recently renovated. The majority of the retail is clustered in "mini-centers" with central parking lots on the lake side of highway 28, and in street front buildings on the land side. The grouping of small retail

buildings on the southwest side of the “Wye” have newly renovated facades, and represent an opportunity to prorate new housing into an existing retail grouping to create an alpine village setting with a mixed-use development strategy.

One particular retail development located in a visible location in Tahoe City stands out as blighted and visually unappealing and negatively impacts the character of the commercial core. Redevelopment of this property would significantly improve the attractiveness and performance of Tahoe City commercial frontage.

OPEN SPACE

There are five major open space types currently in Tahoe City:

- First, the streetscape in Tahoe City has been improved recently, and it has become a major asset to the community. By providing a safe, pleasing pedestrian zone, this improvement has enhanced the entire commercial core. In addition, a significant park along the beach with both active and passive recreation opportunities has been recently constructed. Although the park is well below the street level and difficult to see, it is well marked, and its underutilization among tourists is more likely the result of decreased tourist activity throughout Tahoe City.
- The second open space type, the golf course, is a potential major asset to the community, but also it is one of its most neglected. Golf continues to be one of the most popular activities in the country, and a golf course amenity with views to Lake Tahoe has the potential to be a valuable draw to the community. Currently, the Tahoe City Golf course represents a significant missed opportunity to provide the community with a peak summer and shoulder season draw or for other redevelopment projects incorporating commercial and/or resort elements. Visual analysis of the course reveals that it is difficult to recognize, is not kept to the standards of other area courses, and is lined with services and backs of buildings, some of which are particularly unsightly, along its primary potential frontage. Over the course of this study, redevelopment initiatives have come forward to propose upgrading the economic viability and community value of this property with resort units, workforce housing, recreation and shopping.
- A third major open space area of Tahoe City is the area around the dam and the Fanny Bridge. As an open space opportunity, it provides beautiful lake views, tall trees, and some support retail and recreation opportunities. It is an area that should be enhanced as a major focal point of the community.

- The fourth major open space, the marina, is both a public open space amenity and a successful commercial area for the community. With private boat slips, public boat rental, and major retail space, and a new parking garage, this area has the ability to be a major attraction to Tahoe City. The primary issue at this time is visibility, and without a significant improvement in this area, the retail aspect of the project is likely to continue to languish.
- The fifth open space is the Commons Beach, a significant community asset that incorporates both passive and active recreation uses along the lakefront, provides historic information, and creates a focal point for Tahoe City. It also suffers from a lack of visibility as a result of the elevation change between the road and the beach, however, it appears to be well known and used by the residents and has the potential to become an even more valuable tourist amenity as redevelopment of tourist accommodation units in the area continue.

COMMUNITY SERVING

The fire station and the Visitor's Center represent two very different types of community serving uses, however they are adjacent to each other, and both would be better served in a different location. The fire station occupies a significant lake side site and inhibits views of the lake from several sites. Efforts to re-locate the station are underway. The Visitor's Center lacks visibility, partially because of its proximity to the fire station, and partially because it is in a small multi-use facility. Additionally, it lacks dedicated or easily visible parking.

INDUSTRIAL

The small industrial area supporting Tahoe City is outside the commercial core along Highway 89. These areas currently occupy land that is both adjacent to environmentally sensitive zones, and if the Highway 89 bypass is constructed, will define the gateway to Tahoe City. Over time, these should be moved to less environmentally sensitive areas.

HOUSING

There is little housing in or near the commercial core of Tahoe City, and the community is set up in a suburban pattern with a concentrated commercial and tourist center supporting surrounding residential subdivisions. The primary housing type appears to be single-family homes primarily occupied seasonally as second homes or rentals, or by full-time residents. There are scattered housing developments on the lake side of the community, some of which occupy sites that significantly block views of, and access to, the lake.

PARKING

Development in Tahoe City has been patterned around the small commercial centers with centralized parking. Thus, there are numerous parking opportunities throughout the central business district. In addition, a new 137-space public-parking structure is being designed as a component of the marina expansion. This and the new Jackpine Street Public Parking lot are part of the approximately \$26 million⁶, 5-year commitment the Redevelopment Agency has made to Tahoe City and Kings Beach.

⁶ \$14 million for the Tahoe City Marina, \$10 million for Kings Beach, and \$2 million for Jackpine. Includes construction costs and land acquisition. (Information received February 27, 2007)

IV. MARKET FINDINGS AND FEASIBILITY

This chapter provides a brief overview of market conditions as they factor into the conditions for redevelopment and recommended implementation measures. The Market Study, **Volume II** of this Study (July, 2006) provides full documentation for these findings.

REGIONAL ECONOMIC OUTLOOK

Tahoe City and Kings Beach are surrounded by upscale communities and resorts that continue to apply pressure by presenting more attractive, affordable, and diverse housing, services, and amenities. Some of these communities and resorts, in the basin, are dominated by seasonal use homes that utilize precious single-family allocations, but provide little community economic support. Other communities, such as Truckee, are outside the basin and provide lower cost housing and retail rates to service the local work force.

The economy of the North Tahoe area is heavily dependant upon the leisure industry; more so than other similar resort locations.⁷ The economic conditions required for a diversified economy, cost of living chief among them, are not present at this time and are unlikely to change. Redevelopment projects, supported by the County's investment in infrastructure, which attract a greater share of the tourist market such as high quality accommodations and event facilities or meet a community need, such as workforce housing, will have the greatest immediate impact in the redevelopment areas.

To the extent projects encourage year-round occupancy the retail economy will be better supported. Accommodation projects (i.e. resorts, hotels, condo-hotels) which take advantage of lake views, destination projects (e.g., entertainment, event/conference centers), and enhanced transit connections to ski resorts will all serve to improve the non-summer draw of those commercial centers. These facilities will also offer viable alternatives to ski-area lodging, to the benefit of the region.

Table 1 provides a summary of land use economics for residential, retail, hotel, and fractional development prototypes. To consider the financial feasibility of these land use types, Strategy authors used market data regarding land prices and construction costs as contrasted to potential market prices and rents.

⁷ "The Economic Significance of Travel to the North Lake Tahoe Area: 1997-2002 Detailed Visitor Impact Estimates," December 2003, prepared for the North Lake Tahoe Resort Association by Dean Runyan Associates.

**Table 1
Summary of Development Feasibility**

Condo/Residential	Moderately strong; unlikely to require major subsidy.
Retail	Moderate strength at good locations; improved image of area may provide additional value; subsidy may be necessary.
Office/Studio	Good complement to mixed use concept; rents are lower than optimal; subsidy required at current rents.
Hotel	High risk makes economics challenging; potentially lucrative for public and private sectors; may require subsidy.
Fractional	Strong revenue prospects; no major subsidy required; good component of resort concept, does little to alleviate housing/full-time resident shortfall.

The table presents the potential outcome of prototypical projects when revenue expectations are compared to cost assumptions. Land values for development must be sufficiently high so as to provide sufficient incentive for land owners to be willing to sell or participate in risk-taking ventures.

Developing beneficial uses will require a concerted public/private effort to reduce project risk and, potentially, to offset onerous costs associated with certain high-benefit projects. As **Table 1** describes using hypothetical projects, condominium and fractional projects are capable of strong performance. Well-conceived hotel developments may be a good public-private investment opportunity, while single-use retail prospects may be more limited in the short term.

ACCOMMODATIONS

MARKET CONDITIONS

The communities of Tahoe City and Kings Beach lack high quality tourist accommodations or facilities with marketable conference or meeting facilities. While there has been some effort to upgrade select facilities, for the most part the motels that line Highway 28 are in various states of disrepair; some illegally converted to full-time residential use, some simply closed, and others are still hanging on. Most of the buildings that house the available tourist accommodations are well past their effective building life and do not inspire the increasingly sought-after and demanding tourist.

The lack of accommodations is less a function of visitor demand and more a function of the risk perceived by hotel investors. The heavily regulated, complex entitlement system of the North Shore coupled with high development costs and land values dampen the economic picture for hotel production. Investment interests can be attracted to the area if well-conceived mixed use projects are paired with a simplified regulatory process, implementation of the commercial core project, and attention to critical community needs (e.g., housing).

FEASIBILITY ANALYSIS

Hotels are by their nature expensive and risky investments. These characteristics have not melded well with the area's unpredictable and time-consuming entitlement process, as evidenced by the absolute lack of new product offered in recent decades despite the area's tourist allure.

To cover the costs of new construction, room rates will need to exceed current room rates—\$170 at peak season for a refurbished room—meaning that new product will tend to function at the upper-middle tier. A high functioning conference center that maximizes proximity and views of Lake Tahoe could provide a synergy with lodging and produce average daily rates in excess of \$180. Even at this relatively high level of performance, the cost and risk of the project may warrant redevelopment agency assistance. Counties acting through their redevelopment agencies are typically motivated to provide strategic assistance with well-conceived projects based on levels of future tax increment, TOT, and sales tax that result from these projects.

As a result of perceived risk, investors require a high return rate. This feasibility analysis assumes a simplified regulatory process and the rate of return assumption reflecting a comprehensible and predictable regulatory environment. If these assumptions are not realized, there will be few if any major tourist accommodations investments in the area in the foreseeable future.

HOUSING

MARKET CONDITIONS

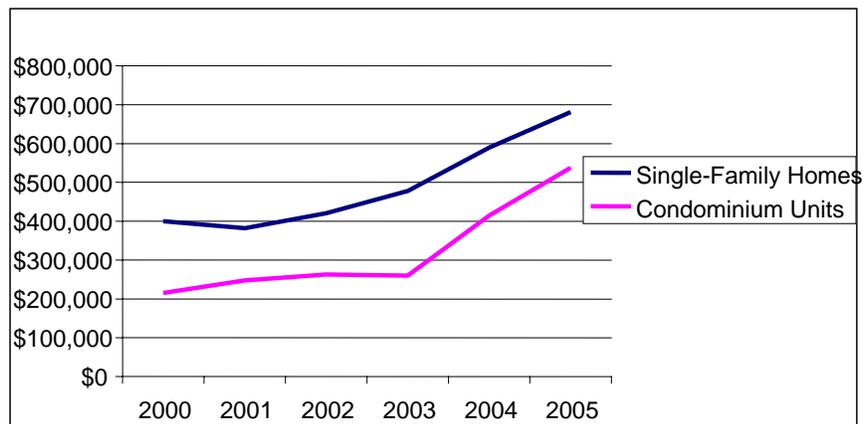
As discussed in detail in **Volume II** of this study, "Market Opportunities and Constraints," the challenges to providing adequate housing for the permanent and seasonal workforce required to support resort-based economies are dramatic and can result in dire consequences. These consequences include overcrowding and dilapidated

conditions in some neighborhoods, lengthy commutes for workers, and the inability to attract employees to support private sector endeavors and public sector services.

The worker's housing choices include commuting long distances from relatively affordable housing markets (a choice limited to those who can find and afford transportation) or accepting sub-standard, frequently overcrowded housing conditions in closer proximity to the workplace. The captive workforce housing market provides no incentive for landlords to properly maintain their rental units and does provide an incentive for owners of properties not intended for permanent housing such as trailer parks and motels to allow their properties to be used to house local workers.

Home prices in the Tahoe Basin have increased dramatically in recent years and the earning power of local workers does not compete with the high cost of housing. Much of the local housing stock is purchased for vacation purposes and local workers often face daunting commutes to obtain housing within their budgets. Many once-commuting workers eventually find employment closer to their residences and the labor market suffers as a result. See **Figure 1** below.

Figure 1
Median Home Prices—North and West Lake Tahoe Area 2000–2005



Source: Century 21 Tahoe Sierra Real Estate

FEASIBILITY ANALYSIS

Construction of housing for second homeowners, high level professionals who work remotely, and wealthy retirees will likely be profitable. Professionals and retirees can enhance the local economy if they occupy their homes the majority of the year. Second

homeowners can be a drain on the local economy to the extent their units are rarely occupied. The relatively new “condo hotel” product, targeted to would-be second homeowners and allowing for fee simple ownership but limits the owner occupancy to, for example, 90 days per year, is an attractive option in that it can increase the percentage of time a unit is occupied and therefore, increase the amount of local spending. Pro forma analysis indicates condominiums and hotel-condos should be capable of moderately strong financial performance, and are unlikely to require major financial assistance from the Agency.

Housing for the local workforce will require a combination of housing options. Because of the cost of materials and the difficulty of assembling funding for workforce housing, feasibility may depend on reducing the size of units. This “affordability by design” approach can be used in conjunction with a multitude of product types, and is usually associated with smaller, higher density products such as townhomes, condos, and small-lot single-family product.

Significant public support through the entitlement process, contribution and attraction of public resources, and development process will be required to develop rental housing for service workers.

RETAIL

MARKET CONDITIONS

Volume II presents specific retail niche opportunities in Kings Beach and Tahoe City which included specialty food stores and jewelry, clothing, and cosmetics shops. **Table 2** below is reproduced from the Market Study and presents a comparison of potential spending volume of households to actual sales activity in Kings Beach and Tahoe City. The specific store categories presented are those where the estimated demand exceeds the current supply, presenting an “opportunity gap.” The dollar amounts provided under “Demand” are based on spending pattern assumptions of local residents.⁸ “Supply” is based on retail sales figures in the store category. The data provided are totals from the calendar year 2005.

⁸ The Market Study (Volume III) includes additional discussion regarding the impact of visitor spending on retail demand.

Table 2
Specific Retail Opportunities, Tahoe City and Kings Beach

Specific Retail Opportunities, Tahoe City and Kings Beach

Store Category	Demand	Supply	Opportunity Gap
<i>formula</i>	<i>a</i>	<i>b</i>	<i>a-b</i>
Specialty Food Stores	\$2,703,189	\$415,420	\$2,287,769
Cosmetics, Beauty Supplies, Perfume Stores	\$320,145	\$0	\$320,145
Men's Clothing Stores	\$830,748	\$807,532	\$23,216
Women's Clothing Stores	\$2,099,629	\$1,396,187	\$703,442
Clothing Accessories Stores	\$186,160	\$32,198	\$153,962
Shoe Stores	\$1,380,725	\$832,640	\$548,085
Jewelry Stores	\$1,573,176	\$686,256	\$886,920
Luggage and Leather Goods Stores	\$123,193	\$0	\$123,193
Book Stores	\$820,178	\$795,095	\$25,083
News Dealers and Newsstands	\$57,855	\$0	\$57,855
Gift, Novelty and Souvenir Stores	\$1,398,312	\$1,277,976	\$120,336
Special Foodservices	\$1,607,456	\$1,315,971	\$291,485

"gap"

Source: Claritas (a vender of consumer data); also see Volume II, "Market Opportunities and Constraints".

To increase the supply of retail in the redevelopment areas would require a strategy geared to increase demand through greater capture of the visitor market and increasing the number of year round residents in the community. The immediate goal of a redevelopment strategy would be to replace out-dated, under-performing retail uses with better performing ones, resulting in increased volumes in sales in key niches. Many buildings currently housing retail uses were not originally constructed for that purpose and lack the space and amenities required such as display windows, restrooms, appropriate ceiling heights and so on. Moreover, these buildings are generally poorly located, are not integrated with other key uses, and fail to offer a compelling mix of tenants within walking distance. Finally, difficulty of pedestrian crossings on Hwy. 28 precludes the creation of a dynamic main street environment for walking, shopping, dining, and recreating. If the appropriate regulatory framework is put in place and catalyzed by a demonstration program, and other obvious community needs are addressed, it is likely that the market will respond by developing niche retail spaces as a part of mixed use project development.

Increased retail vitality in Kings Beach and Tahoe City will rely heavily on improving access to those commercial centers and increasing local demand through increased tourist accommodations and workforce housing. Increasing demand by providing a more inviting commercial center and increasing resident-centered demand is also an important part the retail redevelopment strategy.

FEASIBILITY ANALYSIS

Retail development is currently hindered in Kings Beach, in particular, because of the divergence between market rents that local businesses can afford to pay versus the rents needed to offset land and building costs. Stand-alone retail development may experience difficulty if constructing new product; rehabilitation of existing space may provide an interim solution, but ultimately, both communities need an infusion of new building development to replace functionally obsolete product. In the near term, investment in new retail space is most likely as a component of resort concepts providing limited opportunities for niche retail uses.

MIXED USE PROJECTS

As land values increase, new development will seek increased building densities and combinations of uses in a single building or cluster of buildings. These “mixed use” projects are by no means a new idea; however, the economics of development are making such projects more desirable. For example, during a soft market for retail development, strong demand for residential development can help to support the economics of retail when the two uses are combined.

Commercial and residential development can be combined vertically with retail or office space occupying the ground floor and residences on the floors above or horizontally with commercial frontages on main streets serving to buffer the residences behind. These mixed use configurations can support the desired goals of compacting development, increasing transit orientation, and supporting commercial development. Pedestrian-oriented mixed use development produces social and environmental benefits.

Specific public-private development concepts and Agency actions facilitating this type of development are discussed in the final chapter of this report.

V. REDEVELOPMENT CONDITIONS AND CONSIDERATIONS

This chapter sets forth the major issues which impact redevelopment efforts in the study area. Many of these conditions were expressed by members of the community in a series of meetings and interviews conducted in February 2006 as well as review and analysis of existing reports and other data.

Kings Beach is clearly in greater need of available resources for community infrastructure and redevelopment than Tahoe City. The general economic, environmental and regulatory conditions discussed in this Chapter impact both communities in the redevelopment area. The final two sections, however, point to the specific and overarching considerations for Kings Beach and Tahoe City, separately.

GENERAL CONDITIONS

Redevelopment efforts in the County along the Lake face a set of extremely challenging issues, including these listed below:

- A complicated set of land use regulations designed to protect the environmentally sensitive region resulting in community disinvestment,
- Land values which are inflated because of the lack of developable land, intense regulatory environment and high demand resulting from the region's attractiveness as a vacation destination, and
- An economic base which relies heavily on low wage workers because of the predominance of the leisure and recreation sector.

These conditions will likely continue despite any level of redevelopment effort. Successful redevelopment efforts will require facing these challenges by negotiating the entitlement process, attracting significant private and possibly public investment, and contributing the community's ability to house its local workforce.

As identified in the previous two phases of this study, Kings Beach and Tahoe City have experienced some level of economic stagnation or decline over recent years. Both communities present challenges with regards to urban form, building stock, and pedestrian access to local serving amenities. Both communities have transformed over time from seasonal destination resort communities to year round full service towns by default and suffer the consequences of the lack of planning for such a transformation. Along with this transformation have come the pressures to provide quality housing, services and commercial activities for residents as well as seasonal visitors. As upward pressure on real estate values, few employment opportunities, and dwindling amenities

have forced young professionals and families to relocate to surrounding growth communities, both communities have witnessed decreases in workforce and young professional populations.

At the same time, residential development has been primarily focused in single-family, second home, product and has almost completely ignored the needs for workforce housing and new tourist accommodations. The lack of suitable work force housing is putting pressure on the current “housing”⁹ stock. The resulting overcrowding and the occupancy, by workers, of sub-standard properties create blight conditions particularly apparent in Kings Beach.

Throughout the Tahoe basin, there is considerable competition for visitors’ dollars, and both communities have been increasingly less successful in attracting this income largely because of the lack of new and upgraded tourist accommodations and retail facilities.

ENVIRONMENTAL CONSIDERATIONS

Lake Tahoe is the second deepest lake in the United States and the largest Alpine Lake in North America. Lake Tahoe is revered for its surrounding natural beauty and the clarity of the lake itself. Unfortunately, human activity has reduced the Lake’s clarity over the past several decades. To preserve the quality of this great natural resource for future generations, human activity along the Lake’s shores is, by necessity, heavily regulated. Recognizing this need for regulation, the federal government ratified a bi-state compact between the States of California and Nevada in 1969, effectively creating the Tahoe Regional Planning Agency (TRPA).

In 1980 the state compact was revised to provide the TRPA with the authority to adopt environmental quality standards, called thresholds, and to enforce ordinances designed to achieve the thresholds. The TRPA Governing Board adopted the thresholds in 1982. The TRPA defines these nine thresholds as, “the level of human impact the Lake Tahoe environment can take before irreparable damage occurs.” The nine threshold are:

- Water Quality
- Air Quality
- Scenic Resources
- Soil Conservation
- Fish Habitat

⁹ In addition to permanent residential structures, workers occupy mobile home parks and motel rooms intended to serve vacationers.

- Vegetation
- Wildlife Habitat
- Noise
- Recreation

In practical terms, the thresholds are the fundamental basis for evaluating development and redevelopment in both communities. In addition, the TRPA has a Regional Plan Goals and Policies document that presents the overall approach to meeting the environmental thresholds, and a Code of Ordinances that implement the Goals and Policies. With its mandate to update the 20 year old Regional Plan Goals and Policies, the TRPA is currently engaged in a complex process of reevaluation of the environmental thresholds, a place-based community-planning effort, an update of the Regional Plan, and subsequent update of the Code of Ordinances. The process is termed Pathway 2007 and will directly impact all redevelopment efforts in both Tahoe City and Kings Beach.

Through its Pathway 2007 efforts, the TRPA has identified imperatives for acceptable development. To be implemented, redevelopment projects will need to contribute in the following areas:

- The environment,
- The economy, and
- Quality of life for residents.

It is important to point out that the elements of these sustainability goals are by no means mutually exclusive. A good project will improve economic and community functions as well as enhance overall environmental performance.

Redevelopment projects will need to contribute to the environment of the lake by minimizing or improving water run-off conditions which tend to reduce the Lake's clarity. Preserving water quality is of utmost importance and as such, environmental best practices need to be integrated into each project.

In addition to water run-off concerns, air quality should be considered and development should occur in a way to minimize traffic congestion and the need for automobile use. Locating development in nodes along transit corridors can enhance the viability of mass transit options and decrease the dependency of the local economy on automobiles. Concentrated development nodes can strengthen the local retail economy by getting people out of cars and walking and shopping. Condensing development in urban centers can increase the amount of terrain left for natural habitat and coverage.

Enhancing the economic outlook for a community is the goal of all redevelopment efforts. With limited opportunities for physical expansion, efforts in Kings Beach and Tahoe City must be aimed to enhance and redevelop existing commercial structures and core areas. Concentrated and careful planning efforts based on sound economics and environmental enhancement need to provide the foundation for project implementation.

VI. REGULATORY CONSIDERATIONS

Land use regulations designed with the singular goal of environmental protection have resulted in the unintended consequences of producing a sprawling urban form. This development sprawl:

- fails aesthetically,
- covers more land than is necessary,
- fails to provide needed community identity,
- fails to provide social resources for residents, and
- discourages the formation of a compact, walkable, Alpine retail, lodging and entertainment district in proper scale for the environmental setting for tourists, serving as an engine for acquiring and assembling improved lake access and habitat preservation.

These land use regulations have also made it difficult for communities to have their housing demand needs met and have put additional strain on housing affordability.

AREA AGENCIES

In the Lake Tahoe basin, land use and redevelopment initiatives are subject to the regulations, guidelines, and concerns of multiple agencies. The Redevelopment Agency, Placer County Planning, the TRPA, the Tahoe City PUD, NTPUD, the Forest Service, and the Tahoe Conservancy, and Caltrans all play key roles in shaping redevelopment efforts¹⁰. These agencies should continue to find opportunities to work together and improve the level of intra-agency communication and coordination in their strategic imperatives to develop a cohesive approach to redeveloping Kings Beach and Tahoe City as model environmental, economic and socially healthy communities.

REGIONAL REGULATORY PROCESS—PATHWAY 2007

One of the key inhibitors to the redevelopment of both Tahoe City and Kings Beach in the near term is also the potential mechanism that will allow for, and define their ultimate redevelopment opportunities and constraints. This is the process which the TRPA and the County will need to complete before a comprehensive redevelopment picture can be revealed. Currently, the TRPA, the Lahontan Regional Water Quality Control Board, the Nevada Division of Environmental Protection (NDEP), and the US

¹⁰ Acronym reminder: Tahoe Regional Planning Agency (TRPA), Tahoe City Public Utilities District (PUD), North Tahoe Public Utilities District (NTPUD [Kings Beach]).

Forest Service are engaged in the Pathway 2007 process to define measurable environmental goals for the basin and identify needed updates for TRPA's regional plans and policies based on the principles of the sustainability imperatives. One of the stated intents of the TRPA's process that will have a direct impact on future redevelopment in Tahoe City and King's Beach is its determination to "revitalize existing development and invigorate the economy."¹¹ The end date for this process, however, currently is unknown. Also unknown is the extent to which current codes and ordinances may change, and the process for incorporating those changes.

Pathway 2007 has presented a process in which the County can participate with the TRPA on regulatory modifications and development initiatives. The County and TRPA are committed to issuing a request for proposals during the summer of 2007 under a demonstration program. The Demonstration Program provides an opportunity to evaluate how existing regulations can be modified as necessary to support the reevaluation of the TRPA thresholds and Regional Plan and Goals. The intent is to produce an improved urban form that is economically viable, contributes a net positive outcome as measured by environmental thresholds (open space provision, stormwater management, visual appeal, etc.), and benefits the social vitality of the community.

Community outreach and visioning have occurred through the Place-Based Planning sessions, scientific studies have been undertaken to examine the causes and effects of lake sediment loading and potential solutions, and economic analyses have taken place. The result of this effort is a Placer County Vision Summary. Because community outreach has been the hallmark of recent TRPA planning efforts, the concerns of permanent residents have been expressed through activities designed to enhance neighborhood quality based on the triple bottom line. Projects aimed at addressing housing affordability, pedestrian access, recreational opportunities, neighborhood safety, transit availability and so on, must be integral to redevelopment.

These Place-Based Planning efforts identified a series of "lessons learned" included in the *Demonstration Prototype Summary*.¹² Many of the barriers to redevelopment identified in that paper have also been identified and concurred with through the course of this Study. TRPA consultants identify, among other items, those listed here:

- The high cost of predevelopment because of "complex/layered project approval process."
- The need for regulations that support optimal site utilization such as increased allowable densities, height and coverage.

¹¹ TRPA Pathway 2007, "Vision," Summer 2006 Newsletter

¹² Prepared for TRPA by Regional Planning Partners, September 2006.

- Better solutions to meeting parking needs.
- Acknowledgement of the fact that “projects can result in reduced overall site coverage in comparison to existing coverage and/or allowable coverage” when compact, vertical design is permitted.

On-going technical work sponsored separately by the County and TRPA have identified common themes which point to potential areas of agreement between the two agencies.

Recently, the TRPA released a draft evaluation report to begin engaging the public in defining the most important values held by the various Lake Tahoe Basin stakeholders. It is the TRPA’s intention that, “The agreed upon desired conditions for the future of Lake Tahoe will set the stage for creating a coordinated system of measurable indicators and standards that will clearly show that goals have been attained.”¹³

In addition, “the TRPA codes and ordinances that regulate development in the County’s Basin communities are also going to be updated to reflect the new goals and policies. These include development standards such as lot coverage, allowable height and setbacks and Plan Area Statements, which include land use classifications (allowable uses), management strategies (types of mitigation), and special designations (such as receiving areas for transferred development rights).”¹⁴

Updating these regional plans and policies will be followed by an EIR/EIS environmental assessment process, and final adoption. This process may take one to two additional years. Of critical importance will be the coordinated efforts of the County and the Agency to update the County General Plan and the Community Plans, as well as the zoning plans and land use regulations.

PERMIT PROCESSING

Currently, permit process represents a major obstacle in nearly every type of development initiative. In addition to the lengthy and complex process currently in effect for TRPA approvals, the County’s process is also complex, and often not coordinated with the TRPA process. The result is that a project may travel through the entire TRPA process, and gain preliminary approval, then be altered so significantly in the County process, that it must go through the TRPA process again. A recent small parking lot proposal took nearly two years to receive approval from the County’s Public Works Department. The County and TRPA are working together to address this issue

¹³ TRPA Pathway 2007 web site

¹⁴ Ibid.

through collaboration with regards to the demonstration program. Continued coordination and problem-solving are imperative to successful redevelopment.

Many development applications for the TRPA and the County are duplicative. The applications require identical information; however, a separate form is required for each agency.

As development entitlement and permit processing becomes more complex with multi-agency requirements, the agency-by-agency process currently in place results in any significant project taking a minimum of two to three years to gain entitlements. In addition, most project proponents must hire entitlement specialists to navigate the multi-layered process.

Workforce housing projects in particular cannot afford such predevelopment expenses and typically require public subsidies in locations which are less heavily regulated than Kings Beach and Tahoe City.

DENSITY

For the most part, density in the basin is controlled by physical limitations on the development potential of sites. These include coverage, height, residential unit allowances, commercial allowances, and parking space allowances.

Density historically has been considered as a negative concept in the Lake Tahoe basin, and particularly along the north shore. However, the vitality of both Kings Beach and Tahoe City has suffered in large part because of the lack of density at their commercial cores and the suburbanization of the surrounding residential communities. The result is that much more land is covered than is necessary for communities of this size, and uses are spread out such that pedestrian activity is difficult, and increased auto activity is the unintended consequence.

In a sprawling development pattern, as exists in both communities, much more land is covered than necessary because of the amount of roadway, surface parking, and building footprint area that is necessary. The unintended consequence of the current TRPA regulations, encourage land owners to demonstrate as much physical coverage of the land as possible to enhance its value.

Height restrictions in the TRPA ordinance currently are written to increase the height allowances for buildings on steep slopes with high pitched roofs. The net effect is that buildings in the commercial core, because of the relatively flat nature of the land, are subject to more restrictive height restrictions than those on steep slopes with steep roofs.

This height restriction discourages mixed-use development in the central business district as three-story residential over commercial buildings, with pitched roofs, will most likely exceed the height limit.

SUMMARY OF REGULATORY IMPEDIMENTS

Table 3 below provides a breakdown of regulatory impediments presented by the planning processes and regulations of the County and TRPA.

**Table 3
Regulatory Impediments**

Administrative Coordination	Currently a process exists for gathering all of the approving agencies together and this should be continued and full participation needs to be addressed. Hearing from all agencies together in a collaborative approach early in the process would result in proposals that can be supported by all agencies.
Application Submission	There are numerous permit and entitlement applications for each agency. Duplicative information is requested. Applications should be coordinated so that the submittal of information required is consistent and that the application can be reviewed by both the County and TRPA simultaneously.
Mixed Use Penalties	Current policies discourage mixed-use projects. Regulations inhibiting the density of mixed-use projects should be reviewed and coordinated.
Subdivision	The current process for subdivision needs to be reconsidered, so the outdated 25' x 125' lot configuration, particularly in Kings Beach, can be reconsidered in light of soil classification, tree location, triangular block configuration, and coverage.
Zoning	Current zoning does not support mixed-use projects nor allows creative approaches on lots that straddle zoning areas.

<p>Coverage, Density, and Height</p>	<p>Decreasing coverage and retiring sensitive sites should be a fundamental goal, creating new public open space and opening view corridors to the lake. Additionally, it is necessary to provide enough density at transit nodes to create a healthy mixed-use village. To achieve both goals, it is necessary to have the ability to create mixed-use buildings and groupings that are three stories tall, and in some cases, four stories (on the land side of the highway) as well as the ability to retire other land sites.</p> <p>Regulatory agencies should work towards an incentive-based evaluation process that promotes density in specific areas and continues to inhibit it in environmentally sensitive areas.</p> <p>Retail ground floor height should be 15' minimum. Residential or commercial above (two or three floors) should be 10' each. This would result in a height of 35 – 45 feet , not including the roof.</p> <p>Densities at major intersections along Highway 28 should be a minimum of 35 units per acre plus ground floor commercial and parking.</p>
<p>100% Coverage</p>	<p>There are some sites at the intersection of Highway 28 and north-south streets where structured parking is needed. In those locations 100% coverage is appropriate and important to community life. For example, a building may have a footprint of 50% of the site, but in front of the building there is a public plaza that holds part of the farmers market each week.</p>

100% Coverage (continued)	A demonstration project should have enough land to offset the 100% coverage with a significant environmental improvement such as permanently retiring an equivalent amount of land for SEZ, BMP, park or public open space. This flexible, community-wide approach is distinct from the current site-by-site approach.
Project Boundaries	The concept of one project being made up of several disbursed parcels should be allowed. A demonstration project should be allowed to positively impact several aspects of the community simultaneously and still be considered one project for entitlement purposes.
Best Management Practices (BMPs)	<p>The County should approach water treatment facilities on a larger scale rather than on a project by project basis. The cost of the facility could be fronted by the County or the initial developers on a fee and credit basis.</p> <p>A demonstration project should include the creation of one or more water treatment facilities that are a benefit to the neighborhood, given the topography and character of the neighborhood rather than on a site by site model.</p>

VII. REDEVELOPMENT APPROACH AND IMPLEMENTATION STRATEGY—KINGS BEACH

The community of Kings Beach should be the first of the two redevelopment area communities to receive attention and resources. The lack of available decent housing for the Tahoe-area workforce has led to the deterioration of the residential neighborhoods while the retail sector has been impaired by several factors including the lack of both tourist accommodations and a pedestrian-oriented commercial sector.

In this chapter, we begin by identifying the key issues facing the community and then present the recommended approach to redevelopment in Kings Beach and recommended implementation measures. Many of the recommendations presented will apply to efforts to revitalize Tahoe City as well and references in **Chapter VII** will be made where necessary. Graphic representations of a conceptual redevelopment plan are presented at the end of this chapter.

KEY ISSUES FACING KINGS BEACH

SUITABLE WORKFORCE HOUSING

The housing affordability crisis experienced by low wage workers along the Tahoe Basin is in full force in Kings Beach. Census data underscore visual survey of the area. Overcrowding and dilapidated housing conditions are present in the neighborhoods near the commercial center. The 2000 Census estimates that one-fifth of the households in Kings Beach suffer from overcrowding, and a similar percentage is estimated to be rent burdened. These figures may underestimate the current conditions. The Tahoe-Truckee Unified School District reports that 73 percent of the children attending Kings Beach elementary school qualify for free or reduced priced lunches.

The production of housing for income qualified workers can help to alleviate the pressure on the aged and dilapidated housing stock currently occupied by the low-wage workforce. While replacing dilapidated, potentially hazardous units such as sub-standard mobile homes, converted hotel rooms, and run-down single-family homes with standard housing units, is important; the economic pressures which created these conditions require significant additional unit production to begin to address these conditions.

URBAN FORM

The commercial core of Kings Beach is littered with abandoned buildings, vacant lots and antiquated parcels. The unintended consequences of TRPA regulation regarding development rights include the incentive for developers to purchase the rights from one property and transfer those rights to another. As a result, purchased property is often abandoned without any entitlements, becoming an eye sore for the community.

There is ample opportunity for public policies aimed at creating an attractive commercial center. Proximity to public beach access, older, architecturally interesting buildings and a vibrant residential community exist and can enhance and support redevelopment efforts.

PEDESTRIAN CONDITIONS

The rapid movement of traffic along Highway 28 and lack of sidewalks generally present impossible conditions for would-be shoppers, visitors, and local residents. The County's Highway 28 commercial core project for Kings Beach will go a long way in improving these conditions. Priority for pedestrian orientation should be given when considering the transportation options outlined for this effort. Wide, inviting sidewalks and safe street crossing need to be top priorities.

IMPLEMENTATION RECOMMENDATIONS

ECONOMIC DEVELOPMENT

Employment

In communities lacking large corporate facilities, the highest employment base is typically found in the government, education, or medical sectors. For Kings Beach to achieve a healthy sustainable economic base, the seasonal employment centers will need to be complimented by a permanent employment base. The most obvious need in the area, and the most feasible in the near term, appears to be the establishment of a government base the efforts for which are underway. The redevelopment plan in **Figure 2** indicates potential development areas in the community where employment centers could be located and integrated into the mixed-use district. As a catalyst project, the creation of an employment center in Kings Beach must be connected to workforce housing initiatives as a means of decreasing vehicle dependence.

In King's Beach, there is need for a directed, strategic approach to attracting new permanent employers (see also **Volumes II** and **III** for discussions on employment in the region).

*Implementation Actions*¹⁵

1. **Create employment centers.** In addition to the development of a government center, the County should actively look for a small campus site to promote a consolidated employment center in Kings Beach. The location of this center should be in the mixed use district.
2. **Identify and solicit permanent employers.** The County should assemble a task force made up of representatives of the NLTRA, the NTBA, the NTRAC and other important community business leaders to develop a strategic approach of identifying, recruiting and supporting the relocation of permanent employers to the Kings Beach mixed-use district.

Retail

Efforts made towards improving the urban form of the commercial center, improve accommodations, attract recreation-oriented tourists and develop workforce housing will all have the effect of improving the performance and success of current and future retailers.

Retail uses relating to key underserved market niches should be encouraged over those competing with existing businesses. Counties can typically control the form of development through zoning and other regulatory mechanisms, although more control can be exercised when infusing public funds into projects. In the latter case, say as part of an Owner Participation Agreement (OPA), the County could seek to address specific interests as part of contractual terms through specific project milestones. These discretionary decisions should be made on a case by case basis with input from legal and economic advisors.

Implementation Action

3. **Develop project-specific retail strategies in conjunction with private investors.** Pursue OPAs with willing private sector interests, assemble public/private resources for projects meeting the TRPA's sustainability criteria, encourage strategic investment in key (missing) retail niches.
4. **Establish pre-conditions providing incentive to develop retail.** As discussed else where in this report, work on regulatory solutions to urban form limitations

¹⁵ Implementation actions are numbered for ease of reference only. The numbering is not meant to indicate implementation priority.

resulting in additional ability to build mixed use product incorporating retail ground floor uses.

Tourism

Incline, North Star, and Squaw Valley have all initiated all inclusive resort projects that have captured the attention of visiting tourists. The redevelopment effort at Kings Beach is not to duplicate this product type, but rather to enhance the overall character of the town with the inclusion of high quality resort accommodations at key transit activity nodes. Combined with an active mixed-use district, the conference center, and public access to the lake, new accommodations will offer an attractive alternative to other resorts and set Kings Beach apart.

Implementation Actions

- 5. Provide diverse recreational activities for residents and visitors.** Work with local economic development stakeholders to seek expanded range of indoor/outdoor recreational facilities. Look at potential for an indoor sports facility allowing wide range of activities. In Kings Beach, the PUD's Stoker property could accommodate certain community activities, while private interests are likely to identify this segment for town center development as the area solidifies. Community recreation facilities are the responsibility of the PUD in King's Beach and attempts to pass recreation bonds have been unsuccessful – likely a consequence of the multitude of second homeowners in the region.
- 6. Emphasize internet-based marketing efforts.** The internet has become the travel-agent of choice for vacation planners. A high profile presence is critical to improving market share. The NLTRA has been instrumental in improving the community's presence in this realm. In addition to enhancing local public efforts, attraction of one or more branded accommodations would help to accomplish this objective.
- 7. Support efforts to improve and develop visitor accommodations** in both communities. Efforts should be aimed at appropriately scaled, higher density hotel and other types of accommodations contributing to the village center rather than single-family vacation home production.
- 8. Increase linkages to proximate ski resorts.** Enhance transit linkages and marketing efforts to attract visitors to stay in both communities, enjoying the proximity to the Lake while taking advantage of winter recreational opportunities.
- 9. Conference center strategy.** A conference center which is well-marketed and takes advantage of lake views, coupled with improved quality accommodations would enhance the community's ability to attract off-season visitors. Kings

Beach has a major opportunity to redevelop its conference center, while this type of use would be a natural component of any major resort introduced in Tahoe City.

WORKFORCE HOUSING

In general, the current Kings Beach workforce housing situation poses several problems. Low-income working families are living in units, once intended as cabins, as small 150 square feet. Trailer parks are overcrowded and often used by multiple workers sleeping in shifts, and many landlords are illegally converting tourist accommodation units into permanent workforce residential units, and then letting them fall into disrepair. Moderate income workers are typically unable to find suitable housing as prices for single-family homes rarely dip below \$600,000. In the residential grid of Kings Beach, numerous opportunity sites exist to provide the working community with a range of housing opportunities from clustered, small lot, fee-simple houses, to three-story stacked flat condominiums and apartments.

Efforts underway to improve the workforce housing situation are critical to improving the housing stock, the living situation of current low-wage residents, and increasing the ability of employers to find suitable workers nearby.

A workforce housing strategy is outside the scope of this Study. There are many ways in which the Agency is approaching the problems presented by the dysfunctional housing market. The focus of these efforts needs to include generating substantial financial resources, identifying sites for development and partnering with experienced developers and managers of affordable housing. The ultimate goal, of course, is to increase the available supply of workforce housing. One for one replacement of dilapidated structures would not effectively address the immediate demand for improved conditions because of current overcrowding issues.

Implementation Actions

- 10. Redefine zoning and land use policy** to encourage dispersed multifamily projects throughout the residential grid at a density of about 35 units per acre with increases in height and coverage to accommodate 30 to 40 units per acre.
- 11. SFR conversion/TDR strategy.** Identify existing single-family units being utilized as workforce housing and encourage conversion of these units into income-restricted (i.e., for very-low, low and moderate income households) units. Then promote the transfer of the existing single-family unit entitlements to development projects in the mixed use zone. Develop a program to convert the existing trailer parks into permanent, multi-story housing developments

using the incentives of increased density, height and coverage, with relocation and replacement housing plans.

- 12. Continue site identification.** Identify public surplus land and potential sites for acquisition which can be contributed to a workforce housing project or exchanged for an appropriate site for such a project. Infill sites which are close to transit and services best serve the service worker population. As such developments will require financial subsidy, consideration should also be given to ease of site preparation and readily available infrastructure to keep development costs to a minimum.
- 13. Continue other important, efforts** including partnerships with skilled developers and managers of workforce housing, deed restrictions and soft-second loan programs for moderate income necessity workers (i.e., teachers, firefighters, etc.), land trust mechanisms for permanent affordability, and taking the lead role in workforce housing policy and program development and implementation.

URBAN FORM

Enhancing the Village

The urban visionary Jane Jacobs emphasized the fundamental importance of creating mixed-use communities, where homes, schools, recreation, shopping, and work are all integrated into dynamic, vital communities. Her observations proposed that dense communities with a diversity of uses promoted walking, social interaction, as well as economic and social well being. She suggested that even when people arrive in a diverse neighborhood by vehicle, they tend to walk when they get there.

Today, the benefits of mixed-use communities are well documented. They promote a consolidated, efficient use of the land, they reinforce the sense of community and town centers with walkable, vibrant streets, and they encourage economic vitality, increases in public transit and housing choices. Mixed-use development can and should be considered both vertically and horizontally.

Although mixed-use projects are a key component of the TRPA Pathway 2007 initiative, and continue to be the foundation of successful redevelopment projects throughout the nation, there is no local precedent for evaluating a mixed-use project in Kings Beach. The needs defined in this market demand analysis fully support mixed-use development as a means of filling the needs in housing, tourist accommodations, and upgraded retail, jobs generation, and enhancement of public open spaces. In Kings Beach, there is the potential for two or three mixed-use development nodes located at

high volume intersections, incorporating retail, residential, parking, resort, and water management projects in an integrated plan.

Through our analysis, there is a strong community desire, and a strong planning basis to create a significant vertical mixed-use district along the frontage of Highway 28, and the streets that define the triangular blocks adjacent to the highway. The intent is to support the transformation of Kings Beach from a linear, vehicular-based community, to an Alpine Village with walkable streets lined by retail and commercial activities and a mix of tourist accommodations and permanent resident housing.

Implementation Actions

- 14. Conduct architectural review of existing buildings.** Identify buildings which add aesthetic and architectural character to the commercial center which are worthy of rehabilitation rather than replacement.
- 15. Community Planning and Design Guidelines.** Define and initiate community plan update process as necessary, including development of design guidelines creating “Alpine Village” environment consistent with vision set forth in redevelopment element diagrams for each community.
- 16. General/Community updates and TRPA coordination to create mixed-use district.** The County will need to initiate a General Plan amendment to rezone the village core area of Kings Beach to facilitate the mixed use district and then update the Community Plan in conjunction with the TRPA to specify the use, site design, and height and density criteria for the district.

Pedestrian Access

Perhaps the single most influential catalyst project in Kings Beach, the Commercial Core Project, will affect the majority of retail and commercial users through the addition of a significant pedestrian core where none now exists. This road and streetscape project along Highway 28, currently in its public comment period of the environmental review process, is the backbone of any redevelopment strategy for Kings Beach. The Public Works Department will actively seek public comment on the draft EIR to be published in the spring of 2007.

The implementation of this public amenity is fundamental to the success of existing and future commercial activities along Highway 28 in that it will create a safe pedestrian zone along the highway, provide a visually attractive streetscape for the community, and enhance the “front door” of the existing businesses.

Currently, four alternatives are being reviewed:

- Alternative 1—two travel lanes, a center turn lane, parking on both sides of the road, bike lanes, 8' sidewalks and roundabouts;
- Alternative 2—four travel lanes, bike lanes/parking on both sides of the road, 8' sidewalks, and traffic signals;
- Alternative 3—two travel lanes, a center turn lane, no parking, bike lanes on each side and 15' sidewalk, and roundabouts;
- Alternative 4—three travel lanes, a center turn lane, parking on one side of the road, bike lanes, 8' sidewalks, and roundabouts.

Each of the alternatives has specific merits. The best alternative will have these results:

- Traffic calming and efficient regulation of pass through traffic;
- Visible, easily accessed parking to support the retail activity; and
- Wide, landscaped pedestrian sidewalks with “bulb outs” at intersections.

Regardless of the type of improvements to Highway 28 that are ultimately approved, this primary vehicle route will continue to present barriers to pedestrians and bicycles. Roundabouts with approach islands, proposed in three of the alternatives, provide a setting in which pedestrians will only be required to traverse one lane of traffic before reaching a safety zone. There is general consensus that roundabouts are quite effective as traffic calming devices, however, based on interviews of prominent traffic engineers in both the private and public sector, there is considerable debate as to whether they promote bicycle and pedestrian safety. One side of this debate argues that they do not encourage safe pedestrian crossing on a heavily used highway, because the traffic remains continuous. In Kings Beach, this effect could be exacerbated by the reduction of the current two lane configuration into one lane in each direction. The opposing argument is that because roundabouts significantly reduce the number of vehicle to vehicle, and vehicle to pedestrian conflict points, they are considered by many transportation professionals to be safer than signalized intersections.

Ultimately, it will be up to the community and the public agencies to determine the desired solution to the Commercial Core Project. Leadership in the community, and cooperation between the County, the TRPA, and Caltrans, will be vital to maintaining the project's momentum and ensuring construction begins as scheduled in June 2008.

Implementation Actions

- 17. Continue to create/replace public parking.** The County is currently following the recommendations of two parking studies conducted by the Public Works Department which provide direction regarding placement of lots and number of spaces. The loss of on-street parking through the Commercial Core

improvements, however, will be a major deterrent to sustainable commercial and retail activity unless the parking is replaced and enhanced by easily accessible structures or lots that are visible from Highway 28.

- 18. Coordinate and enforce snow removal.** When the commercial core project is completed, the County and the business community will need to work with Caltrans to ensure that snow is not plowed and left on the sidewalk.

Open Space

The County and the Conservancy have the opportunity to pursue the creation of substantial public open space that will benefit the entire community. Along Secline Street and the Lake, an identified stream environment zone is interrupted by four residential properties, the library, and a gas station. The County should consider engaging the Conservancy in a process to relocate the residences and the gas station as opportunities arise, and convert the property into a public open space corridor and possible path for the community. This new open space would extend the entire length of Secline Street, culminating at the current Secline Beach area.

Implementation Action

- 19. Open space acquisition.** Conduct detailed analysis of property ownership for strategic open space areas and formulate acquisition strategy in cooperation with the CTC.

Gateways

The County has recently purchased an abandoned brownfield gas station at Chipmunk Street and Highway 28. Careful development of this property and the several acres of land holding across Chipmunk will ensure that the Gateway to Kings Beach from the Incline grade demonstrates the quality of the community. The potential for a small resort development at this site would provide additional high quality accommodations and support the surrounding retail uses.

Implementation Action: Initiate a developer RFP to facilitate this redevelopment.

- 20. Gateway property acquisition/improvement.** Move to acquire or to facilitate acquisition of gateway parcels, prepare a Request For Proposal to solicit specific proposals from experienced remediation developers, resort developers, or combinations thereof.

COMMUNITY DEVELOPMENT/INFRASTRUCTURE

Resident Empowerment

Many Kings Beach residents are also low-income service workers who support the local economy. Empowering such community members is important to achieving genuine community development. The Agency should continue to involve residents in the decision-making process.

Implementation Actions

- 21. Continue Community Outreach.** Continue interchange with the various business associations as well as look for opportunities to engage with the permanent residents of Kings Beach including service workers and the Latino community to ensure community priorities are addressed. Currently the Pathways 2007 Placer Working Group is serving this role during the planning process.

Facilities

Kings Beach is already the home of many significant community serving facilities including the beach and park along the lake, the new Boy's and Girl's Club and gymnasium, the library, and the conference/community center.

Significant redevelopment opportunities exist primarily in the library and the conference/community center. A library facility in a community the scale of Kings Beach will never be a large repository of printed works. It should be replaced over time with a state of the art print and media education center that provides the community both a place of learning and a meeting facility.

There is considerable ongoing debate as to if the existing conference facility should be used primarily as a conference center with community activity located elsewhere in town, or if it should remain for both conference and community uses. This redevelopment strategy for Kings Beach incorporates both ideas. The conference center/community center is currently being used for community activities that do not need lake front facilities, such as meetings and classes, and other activities that benefit from the lake front location, such as weddings. As redevelopment of tourist accommodations takes place over the next several years, demand by conference center users is also expected to increase. To avoid competition with tourists for lakefront conference center space and to remain convenient to local residents, a new community center facility should be built and located in within the residential grid. Its primary purpose will be to accommodate many of the community uses currently dispersed throughout Kings Beach. If combined with a public open space, it would have the potential to provide a valuable social center.

Implementation Actions

- 22. Participate as feasible in the redevelopment of the Community Center and Conference Center.** The NTPUD has jurisdiction over the Conference Center. As the NTPUD evaluates the future of the facility, the County should fill an advisory and supportive role in that process. The recently released market study on the existing community/conference center identified several issues related to lack of quality accommodations nearby, the scheduling priority conflicts between community and conference activities, marketing of the facility, and the lack of professional management. The County should coordinate with the NTPUD in a study of community desire and feasibility of relocating a dedicated community center on either a County or NTPUD-owned property in the residential community. At the same time, the County and the NTPUD should study the feasibility of either adapting the existing facility, or incorporating a new facility into a major resort of between 200 and 250 Tourist Accommodation Units.
- 23. Evaluate new library development options.** The new Boy's and Girl's Club was accomplished as a public private partnership between the school district and private donations raised by local community leaders. There may be an opportunity to further enhance community resources by engaging these leaders to identify a process for developing a new library facility, potentially designed and funded as a LEED-certified educational center. This concept should be further evaluated within the context of the County's adopted Library Master Plan.

GOVERNMENT PARTNERSHIPS AND REGULATION

With the exception of the specifics relating to the TRPA demonstration program, the following discussion regarding government regulation and coordination apply to both Tahoe City and Kings Beach.

Implementation Actions:

- 24. The County should continue to work with private sector interests.** Where appropriate the County and/or other agencies can play a valuable role to acquire land, provide increased certainty in the entitlement process, reduce or waive fees, provide infusions of tax increment, and serve as a financing conduit for tax-exempt debt targeted towards key supporting infrastructure. Public participation is particularly important for development of workforce housing which meets a community need and the production of which is not typically profit-driven

Demonstration Program

In the TRPA sponsored “Place Based” planning process, community members expressed their desires regarding several key redevelopment issues. With that in mind, it is certain that improvement of Kings Beach appearance and functionality is a top priority to the larger North Tahoe Basin community. However, the lengthy public, environmental and adoption process currently underway for Pathway 2007 means that redevelopment of projects in support of the fundamental “triple bottom line” principles must conform to the current regulations which, in some cases, do not support these principles.

To encourage catalyst project redevelopment, and to serve as models for subsequent development interests, the term “Demonstration Program” has been identified as the framework to promote projects in the interim that support the shared goals of the County, the community residents, the TRPA, and other appropriate agencies, but could not be approved under the current regulatory process. It is imperative that both the County and the TRPA engage a Demonstration Program in a collaborative effort to define appropriate revisions to current County and TRPA codes under the Pathways 2007 process.

The question of what qualifies as a demonstration project is not easily answered. The TRPA is early in the process of defining their criteria for a demonstration program, and as such, it remains a question subject to continued community and agency speculation. In addition, the process for determining what communities and how many demonstration projects will be considered is undecided. However, it is clear that any demonstration projects must provide for compelling community, environmental, and economic benefits; moreover, such projects need to articulate why existing regulations preclude development of catalyst projects. Specific attributes likely will be as follows:

- **Environmental.** Any demonstration project will need to enhance the environment in a measurable way. This includes initiatives such as creating new permanent open space, rehabilitating existing brownfield sites, removing community blight, creating new water treatment sites, or reducing the dependence on the automobile.
- **Economic.** Demonstration projects will need to provide an economic catalyst to the community through such measures as the creation of permanent jobs, increased tourist demand, expanded or new revenue generating uses, or local housing to attract and retain full-time residents.
- **Societal.** In addition, demonstration projects should have a positive impact on the social fabric of the community in that it should increase the public and open space opportunities for public gathering, foster safe and inviting neighborhood streets, create community serving uses, and support the documented need for workforce housing,

The primary catalyst of environmental enhancement, economic enhancement, and the creation of a sustainable socially diverse fabric, is through compact mixed-use redevelopment of a major scale. Current TRPA regulations do not support mixed-use development, nor do they support development of the density that needs to occur to support the triple bottom line goals. In addition, the process through which the TRPA will need to reconsider and adjust regulations and conduct the environmental process to adopt them, and then the process that the County will need to engage to amend the affected community plans, are lengthy and will inhibit redevelopment efforts for the next several years.

Kings Beach Demonstration Project Candidate

Currently, there exists an opportunity in Kings Beach to create a valuable project that has been put forward as a demonstration project. The sites for the project currently are occupied by several operating motels, all needing extensive modernizing or rebuilding, other motels that have been converted to low income permanent housing, several marginal buildings with small retail or commercial operations, and an underutilized conference center facility.

Known as the Ferrari Crown Resort, this project has the potential to promote sound redevelopment efforts in Kings Beach with a significant mixed-use development. The Ferrari Family has extensive land holdings along Highway 28, between Secline and Deer Streets, and is actively acquiring additional properties in need of substantial rehabilitation or proposing partnering solutions with surrounding landowners. The motivation of this well respected family is to create a significant new mixed-use resort that includes high quality accommodations, new attractive commercial space, workforce housing, and valuable new lake front public open space. An expanded version of the proposal could also incorporate a partnership with, and relocation of the convention center, several existing retail/commercial sites, and other sites with marginal residential uses to create a mixed-use node and gateway to Kings Beach.

Using a combination of public and private resources, the proposal would create a project incorporating a 120 unit resort hotel, several for sale housing over retail units along the highway edge, and between 28 and 60 units of workforce housing. In addition, the expanded version of this project would incorporate the expansion of the conference center, a new community center and park in the heart of the residential area, the creation of significant new public beach access, and a shared parking facility to support the uses.

In partnering with the Redevelopment Agency, the first step has been taken to achieving this goal. The County now needs to become an active partner in working with the surrounding land owners to encourage their participation in a project that creates a vibrant, diverse, transit oriented activity hub as the intersection of Highway 28 and Deer

Street. To accomplish this, additional land may need to be purchased, owners wishing to participate will need to be identified, and partnering potential with the PUD and the Conservancy will need to be explored. In addition, the potential benefits and constraints of a development of this magnitude will need to be explored with the TRPA and a coordinated entitlement approval process will need to be agreed upon and implemented.

The Agency is also working with other developers who are interested in pursuing entitlements under the TRPA Demonstration Project Program. Developers such as S. K. Investments are currently considering a mixed use development in the center of Kings Beach. The Agency is also seeking site control of property in the eastern gateway into Kings Beach to assemble land as incentive for a future developer. Demonstration projects will continue to be pursued as the Agency moves forward with its revitalization goals.

Implementation Actions

- 25. Continued cooperation.** The County should continue to work with the TRPA and other agencies in a collaborative process.
- 26. County/TRPA Demonstration Program formalization.** The County and the TRPA need to formalize their understanding of the parameters, process, and desired outcome of the “demonstration project” category and its role in the Pathway 2007 process. This should be done in meetings with key County and TRPA staffs that evaluate the Ferrari mixed-use proposal as a demonstration project, identify the desired outcome of this project in terms of environmental, economic and social benefits, and define the process for its entitlements. In conversations with the TRPA, it became evident that there is no basis upon which to evaluate a mixed-use project in Kings Beach, and the relationship between the potential benefits of the project, and the constraints of the current TRPA regulations must be examined to identify potential modification of existing codes that both conform to the Thresholds of Significance, and support the desired development.
- 27. Convene land owner group.** The County needs to take a leadership role in bringing the surrounding land owners to the table to both encourage their participation in creating a transit oriented hub through partnering or through rehabilitation of their facilities. This can be accomplished in a neighborhood meeting that targets specific land holders.
- 28. Evaluate need for tax increment/other public incentives.** Formalize OPA deal structure. Based on future analysis, tax increment assistance may help offset extraordinary project costs or assist with strategic property acquisition to create appropriate project scale.

29. Create inter-agency action committee to support project implementation
(including other lakefront or strategic projects)

- **Tahoe Conservancy**—has the expertise, funding resources, and property holdings to contribute to core Kings Beach development concepts and to offset onerous open space acquisitions and seeing through other projects (pier) that will add to the project.
- **NTPUD**—has interests in expanding access to community facilities to local community members, and is willing to explore options for additional development in tandem with combining conference center with larger resort concept.
- **State Parks**—has interest in improving the appearance and function of its State Beach parking lot.

Entitlements

Efforts to streamline the entitlement process are falling short and are imperative for increasing the predictability of project approval and decreasing the pre-development risk to potential developers. The County and TRPA planners need to improve coordination in an effort to establish a “one-stop shopping” approval process.

Implementation Actions

- 30. Secure a community-wide strategy with TRPA** to create overlay districts and metrics guiding ministerial project approval. This will involve modifications to the Code of Ordinances allowing flexibility, in a specific area, regarding inclusion of workforce housing units in the affordable housing exclusion to the housing allocations. This will also involve broadening the notion of “linkage” between related properties, allowing open space and coverage trade-offs, for example, to occur between non-contiguous areas.
- 31. Engage in Programmatic CEQA Analysis.** Determine CEQA actions associated with redevelopment elements and any modification of Community Plan in each community, with intent of reducing risk to site-specific developers.

CIRCULATION

Decreasing reliance on cars for workers and ease of access for tourists, will require enhancements of the current transit system.

Implementation Actions

- 32. Upgrade transit infrastructure.** Work with Tahoe Area Regional Transit to reduce headways and adjust stops in conjunction with redevelopment elements; support mixed-mode transportation strategies discussed in TRPA Vision Summary document. Analyze methods and funding sources to support regional multi-modal transit initiatives.
- 33. Create multiple transit oriented activity hubs.** Continue efforts similar to the Tahoe City Transit Center which create transit oriented activity hubs. Efforts will need to be made to either acquire land holdings or encourage participation by land owners in the area, develop a mixed-use plan for the area that includes housing, commercial, parking and tourist accommodations, and work with TART and other transit agencies to increase the levels of service to the hub.

Parking

The practice of developing small public parking lots fit the residential character of the communities but with developable land at such a premium coupled with the goal of revitalizing retail centers, multilevel structured parking should be considered where feasible. The County should consider identifying and pursuing partnerships with land owners or purchasing underutilized properties adjacent to Highway 28 for parking structures. As an example, a double loaded, 2-deck parking structure 70 feet by 100 feet provides up to 40 parking spaces in the same site are as approximately 22 surface lot spaces, decreasing coverage per vehicle by nearly 50 percent, allows shared commercial and private uses, and encourages pedestrian activity. These structures can be incorporated into larger mixed use projects, have highly visible entrances, and be nearly invisible from view.

Implementation Action:

- 34. Develop parking strategy.** As the Agency evolves, look for opportunities to provide more structured parking.

KINGS BEACH CONCEPTUAL PLANS

Figures 2 and 3 provide a conceptual plan for future development in Kings Beach. Figure 2 displays the general concept for the entire community. **Figure 3** provides specific detail for a transit node along Highway 28 between Secline to east of Deer Street.

**FIGURE 2:
KINGS BEACH CONCEPTUAL PLAN**

This diagram represents a long range vision of possible redevelopment initiatives for Kings Beach. The concepts illustrated here are derived from a variety of sources including stakeholder interviews, public agency discussions, and participation in the Pathway 2007 Place Based Planning workshop, as well as the research and findings in this report. They represent a comprehensive, broad redevelopment approach that may conflict with current regulatory policies and land ownership. As recommendations, they are not intended to identify specific properties for acquisition, but rather are intended to become the basis for a focused community and agency collaboration that brings specificity to future redevelopment efforts.

General Concepts of the overall vision include:

1. Developing a significant new resort between Secline and Deer Streets growing out of the Ferrari Crown Resort and encouraging participation of surrounding property owners, including the PUD and the Conference Center. Develop a second resort and the intersection of Chipmunk Street and Highway 28 that includes the existing abandoned gas stations.
2. Create a significant open space that extends along Griff Creek from Steelhead Avenue to Secline Beach, keeping the Library, and then open the beach to public access from Secline Street to the State Park and beach, from This will require the acquisition, either through partnership or purchase, of properties along Griff Creek and on the lake site of Brockway Vista Avenue.
3. Create a mixed -use village concept from Secline Street to Chipmunk Street that promotes 3 story buildings on the North side of the highway, and emphasizes both horizontal and vertical mixed-use strategies. Promote density and height on select sites to decrease coverage and retire select sites.
4. Amend the Agency parking strategy to include parking nodes within the mixed-use village at visible and easily accessible locations. Encourage parking structures to decrease the coverage to parking space ratio.
5. Identify and encourage development of workforce housing on dispersed sites throughout the residential community at a density of about 35 units per acre.
6. Identify opportunities for neighborhood serving BMP projects over a site by site strategy.
7. Plan transit nodes and intersection controls based future redevelopment priorities. It appears that three major intersections will occur at Deer, Coon, and Chipmunk Street.
8. Identify an opportunity within the residential neighborhood for public pocket parks and a dedicated Community Center.
9. Work the the PUD to enhance the viability of the conference/community center and its relationship with the major resort opportunity and other tourist accommodation initiatives.
10. Identify appropriate areas and target sites for large employment centers such as a Government Center.
11. Support the Tahoe Conservancy efforts to bring a new public pier to the heart of Kings Beach as well as a multi-use public facility at their site on Coon Street and Highway 28.



**FIGURE 3:
KINGS BEACH TRANSIT NODE
CONCEPTUAL PLAN**

This diagram represents a long range vision of possible redevelopment initiatives for Kings Beach. The concepts illustrated here are derived from a variety of sources including stakeholder interviews, public agency discussions, and participation in the Pathway 2007 Place Based Planning workshop, as well as the research and findings in this report. They represent a comprehensive, broad redevelopment approach that may conflict with current regulatory policies and land ownership. As recommendations, they are not intended to identify specific properties for acquisition, but rather are intended to become the basis for a focused community and agency collaboration that brings specificity to future redevelopment efforts.

General Concepts of the transit activity node include:

1. Develop a significant new resort between Secline and Deer Streets growing out of the Ferrari Crown Resort and encouraging participation of surrounding property owners, including the PUD and the Conference Center. Incorporate 3-story buildings to decrease existing footprints, open view corridors, and pull structures away from the lake to open new public beach area from the existing beach to Secline.
2. Create a significant open space that extends along Griff Creek from Steelhead Avenue to Secline Beach, keeping the Library, and then open the beach to public access from Secline Street to the State Park and beach, from This will require the acquisition, either through partnership or purchase, of properties along Griff Creek and on the lake site of Brockway Vista Avenue.
3. Create a new multi-story conference center that takes advantage of linkages to the new resort, and could contain select community functions that are enhanced by lakefront access. This could be accomplished either as a PUD project, or in cooperation with the PUD.
4. Relocate the existing workforce housing in substandard buildings along Highway 28 to new or rehabilitated structures at dispersed sites throughout the residential community at a density of about 35 units per acre, then redevelop the properties on the north side of Highway 28 into a mixed-use village node with market rate housing over commercial/retail, public plazas, transit stops, BMPs and parking nodes.
5. Create the BMPs as landscaped amenities that enhance the overall image of the village.
6. Amend the Agency parking strategy to include parking nodes within the mixed-use village at visible and easily accessible locations. Encourage parking structures to decrease the coverage to parking space ratio.
7. Plan transit nodes and intersection controls based future redevelopment priorities. With the inclusion of a major resort and increased conference center usage, the intersection of Deer and Highway 28 will likely experience high levels of pedestrian activity.
8. Create a large new public plaza open space to facilitate street fairs, farmers' markets, and other public gathering events.
9. Encourage landowners surrounding the transit node to incorporate horizontal and vertical mixed use principles taking advantage of residential demand and existing businesses.



VIII. REDEVELOPMENT APPROACH AND IMPLEMENTATION STRATEGY—TAHOE CITY

Tahoe City does not suffer from the same level of blight conditions as its counterpart, Kings Beach. The community is fundamentally healthy. The seasonal instability of the retail sector causes concern, and there are strategies that may be put in place to improve the economy year-round. The inability to sustain a healthy year-round economy is tied to the lack of affordable housing in the region.

Following the presentation of key issues impacting Tahoe City, this chapter presents the recommended approach to redevelopment and recommended implementation measures for strategic revitalization of the community. Graphic representations of a conceptual redevelopment plan for Tahoe City are presented at the end of this chapter.

KEY ISSUES FACING TAHOE CITY

Of greatest concern in Tahoe City is the retail stagnation. While the overall amount of retail space in Tahoe City appears to be appropriate given demand from residents and tourists, the community's retail base is not performing to its full potential, which could be remedied by improving the quality, appearance, and location of existing retail areas.

Without “anchor” resort(s) and quality lodging, Tahoe City is having trouble capturing regional consumer expenditures. By developing catalyst uses in key locations, the town can improve foot traffic and contribute to the improved economic performance of the Tahoe region. The following items are key issues in the Tahoe City redevelopment area:

- A commercial development area adjacent to the golf course has been badly neglected over recent years occupies prime frontage in Tahoe City's commercial core is largely vacant and is in disrepair.
- The commercial center needs an “anchor use” — a featured attraction to bring people into the center of the town such as an entertainment center or a music venue with nearby lodging, retail and restaurants.
- The area needs a broader array of entertainment and recreation options to reduce seasonal volatility.
- Traffic flow through the Tahoe City “Wye” will be altered by the reconfiguration currently under evaluation. In all likelihood this change will move the intersection further from the community, making it more critical to establish destination uses that will draw visitors to the areas shops and restaurants. The very movement of the “Wye” offers a prime redevelopment opportunity to establish a signature gateway experience.

- The Fire Department occupies a prime location along the Lake shore. Its relocation could greatly enhance the view corridor in the commercial center.
- Up-scale over-night lodging opportunities are not currently available and must be offered to achieve full market potential.

The above issues present great opportunities for Tahoe City. With a coherent vision for its future urban form, there should be opportunities for enhancing the visitor experience and attracting investment to the community.

IMPLEMENTATION RECOMMENDATIONS

ECONOMIC DEVELOPMENT

Employment

A more subtle and growing problem in Tahoe City is general economic malaise associated with the loss of its longtime resident base and the economic fluctuations that are brought about by increasing seasonality.

The ability to attract year-round employers and maintain the pool of workers necessary for providing basic services is linked to the lack of affordable housing in the region. Efforts to improve the housing conditions for workers should help to stabilize the employment base, possibly attracting year-round employers to the region.

Retail

The retail economy is currently the heart and soul of Tahoe City. Most of the recommendations in this chapter are geared to better support and expand the Tahoe City retail economy by improving the community's aesthetic appeal and tourist draw.

Implementation Actions

- 35. Examine re-orientation possibilities** for the Visitor Center and retail development adjacent to the Marina. Both of these land uses would benefit from better visibility to draw customers.
- 36. Development project-specific strategies with private sector interests** (see Kings Beach discussion, **Chapter VI**)

Tourism

The Tahoe City community would benefit from increasing its entertainment venues, the diversity of recreational activities and increasing accommodations or providing a

substantial “anchor” use. As discussed in **Chapter VI**, Tahoe City would also benefit from improved accommodations and resort marketing.

Resort Opportunity

On the north side of Highway 28, between the Albertson’s and lumber store, there is an opportunity to create a major multi-season destination resort incorporating the existing golf course, and the properties fronting Highway 28. Existing commercial uses could be integrated into the resort, and the lumber store could be relocated out of the commercial core. The resort would work in tandem with the mixed –use village described below to give Tahoe City an active, high quality gateway of tourist accommodations, housing, commercial/retail use, recreation, and open space.

With the acquisition and conversion of the land at the North end of the Fanny Bridge, and by retaining the signalized intersection at the existing Highway 89, a resort would have both visual and physical access to the lake front open space (see Figure 5).

Implementation Actions

- 37. Evaluate options for golf course.** The County should work with affected stakeholders to evaluate the feasibility of current golf course operations versus the feasibility of including the course in prospective redevelopment proposals. As such, the course may offer utility for providing environmental mitigation or other uses to be determined.
- 38. Provide diverse recreational activities for residents and visitors.** Work with local economic development stakeholders to seek expanded range of indoor/outdoor recreational facilities. Look at potential for an indoor sports facility allowing wide range of activities. In Tahoe City this could be a good concept for the golf course frontage area. Community recreational facilities are provided by the PUD. Because this issue is important for economic development, the County should consider supporting the PUD’s efforts in this regard.
- 39. Continue to improve internet-based marketing efforts.** The internet has become the travel-agent of choice for vacation planners. A high profile presence is critical to improving market share.
- 40. Support efforts to improve and develop visitor accommodations** in both communities. Efforts should be aimed at high density hotel development rather than single-family vacation home production.
- 41. Continue to work towards increased linkages to proximate ski resorts.** Enhance transit linkages and marketing efforts to attract visitors to stay in both

communities, enjoying the proximity to the Lake while taking advantage of winter recreational opportunities.

- 42. Continue to improve resort marketing.** Conduct regular meetings with regional ski resort operators to enhance existing partnerships with the goals of improving overall marketing and improving linkage between lake and mountain resorts.

WORKFORCE HOUSING

The problems presented by the lack of workforce housing in the Tahoe area are not as visible in Tahoe City as in Kings Beach, however, the need for such housing is regional and impacts the Tahoe City economy. The need for housing for permanent and seasonal workers should be considered whenever a significant development proposal is being considered.

A denser, more-cost-effective residential product in conjunction with soft second loans, deed restrictions and/or land trust mechanisms insuring long-term affordability should be incorporated into future development projects. Such units could be provided to attract teachers, public utility workers, emergency service providers and so on, to better support the community infrastructure and to add to the stability of a year-round retail base.

Implementation Actions

- 43. Deed Restriction Program.** Add deed-restricted workforce housing in the mixed-use village area, and in association with a new resort to locate this housing within walking distance to transit.

Note: Workforce housing implementation actions in Kings Beach apply to Tahoe City as well.

URBAN FORM

Enhancing the Village

Tahoe City suffers from the appearance of blight at its entrance from the region's major ski resorts and travelers from the Bay Area. From the major grocery store (Albertson's at this writing) to the lumber store, the properties along the North side of Highway 28 confound the extension of the walkable commercial core by their use, relationship to the street, and physical configuration. They are undistinguished buildings that represent the gateway to Tahoe City. As mentioned above, this would be a prime location for a major resort development.

The areas of commercial development flanking the West side of the Fanny Bridge are an eclectic collection of small commercial buildings adjacent to transit and valuable open space. Recently, many of the existing buildings in this area have undergone façade improvements and appear to be serviceable. There is an opportunity in this area is to integrate workforce housing with the retail and recreation uses in a compact, walkable, mixed-use village configuration on both sides of the Truckee River, connected by a pedestrian bridge. If the Tahoe City “Wye” is moved downstream, and the existing Highway 89 experiences a significant reduction in traffic, additional land with a high coverage allocation could be gained by vacating the rights-of-way for the dedicated right turn lanes. The volume of traffic into this commercial area would not warrant these lanes, and their closure would facilitate pedestrian movement along this area of Highway 28.

Implementation Actions

- 44. Mixed Use Village Master Plan.** The County should encourage the transfer of off-site coverage and units to the properties flanking the Truckee River to create a mixed-use village with a workforce housing density of about 35 units per acre. Work with existing land owners and seasoned workforce housing developers to master plan this area
- 45. Community Planning and Design Guidelines.** Define and initiate community plan update process as necessary, including development of design guidelines creating “Alpine Village” environment consistent with vision set forth in redevelopment element diagrams for Tahoe City.
- 46. Redevelopment and Community Plan Update.** Once final configuration of the bypass is known, evaluate potential updates to the redevelopment plan and corresponding Community Plan. Consider expanding the Community Plan beyond its current boundaries.

Abandoned Properties

For all of the effort and resources that the County and Tahoe City have expended to create a quality Commercial Core streetscape, the positive visual impact of these improvements is lessened by several dominant properties that are either abandoned, or they are so out of character with the community, they create a negative distraction. Redevelopment of these properties is a priority as they currently use valuable tourist accommodation units and commercial area, and provide little benefit to the community.

Implementation Action

- 47. Master developer solicitation.** Open discussions with master developer candidates interested in the sizable, visible, neglected property in the commercial core for potential development as a major resort and move toward OPA or DDA

as appropriate. This property should be planned in the context of the adjoining golf course, and integrated with other possible actions including modification or relocation of the fire station to achieve views to Lake Tahoe.

Open Space

At the northern end of the Fanny Bridge and dam, there is a collection of commercial buildings with a few adjacent residences. **See Figure 4.** This area represents a long-term opportunity for the County to partner with the land owners, or purchase the properties as they become available and to transfer the coverage and development rights to the mixed-use village proposed above, and eventually retire this land as public open space. This would open up a primary view corridor to Lake Tahoe, improve lake side access, enhance the visibility of the dam and allow for linked public open spaces on both sides of the Fanny Bridge. It would also provide view opportunities for a Golf Course resort opportunity.

Implementation Action

- 48. Open space acquisition.** Conduct detailed analysis of property ownership and identify opportunities for a possible acquisition and open space development strategy.
- 49. Open space link.** Acquire land and easements to create an open space link from the Tahoe City Marina to the Fanny Bridge State Recreation Area¹⁶. There are several land holders along the lake that will need to be interested partners in facilitating this link.

There was broad consensus in our stakeholder interviews that the fire station is in the wrong location and needs to be moved. The value provided by this effort is that properties across Highway 28 would have additional views to the lake.

Implementation Action

- 50. Fire station relocation.** **Continue** to support efforts to relocate the fire station away from prime commercial frontage and view corridors.

GOVERNMENT REGULATION/COORDINATION

A fundamental issue for Tahoe City is the enhancement of its visual appeal. Many owners have worked diligently to maintain and rehabilitate their properties on an individual level. Recent streetscape improvements are apparent. With the impending

¹⁶ Prior efforts to obtain easements along the Tahoe Marina Lodge property were unsuccessful, however the goal of establishing this link remains significant.

changes in the transit circulation and potential for eventual improvement of open space and view corridors, there is a role for the County with regards to enlisting residents and business owners in the long term vision for their community.

Implementation Actions

- 51. Land use and development working group.** Continue to work with other public agencies to coordinate objectives and to update the Community Plan. This group should consider and discuss the long-term vision for Tahoe City, which includes these items:
 - a. Urban form objectives
 - b. Evaluate Community Plan update areas
 - c. Design guidelines
 - d. Traffic Flow
 - e. Parking
 - f. Open Space and view corridors
 - g. BMPs
- 52. Identify a priority demonstration project,** based on the recommendations resulting from the working group
- 53. Convene discussions with key property owner representatives.** Identify common public/private objectives including financial viability/return and contribution to community vibrancy.
- 54. Develop incentives for re-design/redevelopment** of existing properties, based on the above-referenced discussions.
- 55. Develop public/private funding strategy** associated with specific plan and individual projects.

CIRCULATION

Parking

The parking situation in Tahoe City is improving and is sufficient for the current level of activity. When retail vacancies decrease and new development occurs, there will be insufficient parking for the increased activity. Compact parking structures which are visible from main streets and can accommodate several vehicles without a great deal of land coverage, will be necessary to support a revitalized commercial center.

Reconfiguration of the “Wye”

Any redevelopment potential in Tahoe City cannot be considered without understanding the impacts of the joint TRPA and Caltrans proposed alternatives to the Fanny Bridge and Highway 89/28 intersection known as the “Tahoe City “Wye.” As the Fanny Bridge is in need of significant repairs or complete replacement, these agencies are taking the opportunity to look at how to best solve the traffic congestions issues and conflicts with vehicles and pedestrians in this high use area. Alternatives range from rebuilding and widening the existing bridge to separate pedestrians and vehicles, to creating a new “Wye” and bridge downstream, diverting traffic around Tahoe City, and either closing the existing Highway 89 or rebuilding the Fanny Bridge with sidewalks on both sides.

Depending upon which alternative is ultimately put forward; Tahoe City could either have a new entrance gateway “Wye” or an enhanced configuration of the existing “Wye.” Each solution presents a different set of opportunities and constraints for recreation, open space, mixed-use development, and transit facilities. If the “Wye” is not moved, traffic congestion should continue at current or elevated levels, however, the current conflicts with pedestrians should be alleviated. The gateway to Tahoe City will remain in its current location, and redevelopment efforts will primarily be directed at land on northwest side of Highway 28. On the other hand, if the “Wye” is moved Southwest near the Caltrans maintenance yard and the existing Highway 89 is closed, the new gateway to Tahoe City will become the roundabout, and the dedicated right turn lanes at the existing “Wye” may not be necessary, effectively creating both environmental and redevelopment opportunities.

Development of Major Transit Node

Tahoe City is at a junction of the two Highways that ring Lake Tahoe, is easily accessible to several major winter resorts and various Truckee River recreation activities, and has a direct link to I-80. A valuable opportunity exists for Tahoe City to take advantage of its location and create a mixed-use transit node at the “Wye.” A transit center is planned for this area. If Public and Private redevelopment efforts combine to create a resort, residential, commercial/retail, and open space mixed-use node, integrating it with a major local and regional transit center would provide a valuable infusion of destination, and pass through visitors. The combination of Multi-modal transit opportunities, public open space links to South Lake Ferry service at the Tahoe City Marina, and a compact mixed-use village center, provide the potential for a vibrant, sustainable Tahoe City village center.

Implementation Actions

- 56. Create “Wye” Task Force.** With major projects already underway from Caltrans, the Forest Service, and the Tahoe City Marina, as soon as is feasible, the County will need to create a Tahoe City “Wye” task force to organize and coordinate integration of redevelopment interests into the ongoing public and private projects at the intersection of Highway 89 and 28. Of primary importance will be a vision from the County in terms of its goals for the ultimate development of this important gateway. Making a place that gives people public and private destinations, optional modes of transit, and opportunities to make links to other destinations, is crucial to the sustained economic vitality of Tahoe City.
- 57. Collect and synthesize public comment.** The County should collect and synthesize public comment on the development of the “Wye” and then set out to identify specific projects to implement that strategy. A key consideration will be how to create an active relationship of high-quality uses around the “Wye,” focusing on a new open space view to the lake and Truckee River. Over time, this may entail the relocation of several businesses and the retirement of land.
- 58. Foster interagency coordination.** The County should begin discussions with the Conservancy and the TRPA to discuss how to achieve its desired goals. **Figure 4** shows one possible configuration for this area.

Parking

Vehicle traffic will likely remain the primary mode of transportation to Tahoe City. Clearly marked parking structures which maximize the value of the land by using multiple floors rather than single story parking make the most sense for encouraging visitors to stop and shop.

Implementation Action

- 59. Parking structure development concept.** Similar to the approach to creating parking at the Marina, add parking structures to redevelopment projects in strategic locations on both sides of Highway 28 from the “Wye” to the marina.

TAHOE CITY CONCEPTUAL PLANS

Figures 4 and 5 provide a conceptual plan for future development in Tahoe City. **Figure 4** displays the general concept for the entire commercial strip. **Figure 5** provides specific detail for the area surrounding the intersection of Highway 90 and Highway 28 (“Wye”).

**FIGURE 4:
TAHOE CITY CONCEPTUAL PLAN**

This diagram represents a long range vision of possible redevelopment initiatives for Tahoe City. The concepts illustrated here are derived from a variety of sources including stakeholder interviews, public agency discussions, and participation in the Pathway 2007 Place Based Planning workshop, as well as the research and findings in this report. They represent a comprehensive, broad redevelopment approach that may conflict with current regulatory policies and land ownership. As recommendations, they are not intended to identify specific properties for acquisition, but rather are intended to become the basis for a focused community and agency collaboration that brings specificity to future redevelopment efforts.

General Concepts of the overall vision include:

1. Develop a major new resort that enhances the existing golf course and incorporates the existing highway frontage properties. Relocate industrial type uses and redevelop existing retail uses into the resort. Enhance the water management site along Highway 28 and the SEZ through the golf course.
2. Support the proposed relocation of the Tahoe City Wye and redevelop the area at the existing Wye. Recapture land that is currently given to dedicated right turn lanes, and decrease the width of the intersection and keep it signalized to support pedestrian movement across Highway 28 to the Fanny Bridge and open spaces along the lake.
3. Create a mixed-use pedestrian village at the current commercial area Southwest of the Wye that incorporates the existing uses, promotes new 3 story infill buildings on both sides of the Truckee River, and emphasizes both horizontal and vertical mixed-use strategies. Promote density and height in this area to decrease coverage and retire select sites in other areas.
4. Relocate the existing businesses and residential uses on the Southeast side of the Wye, both on the frontage of Highway 28 and along Mackinaw Road. Retire these sites and create a public open space and view corridor to the lake and spillway. This will require either purchase of the properties or participation with the current property owners. Creation of this open space provides a highly visible, central open space in Tahoe City, and promotes a linkage of public open spaces from the marina to the state recreation area.
5. Reinforce the viability of the commercial/retail district along Highway 28 by encouraging 3-story mixed use redevelopment incorporating market rate and workforce housing. Target redevelopment of existing underperforming and abandoned buildings and properties to create a catalyst for additional redevelopment opportunities.
6. Over the long term, create a mixed use village transit node at the properties adjacent to the marina emphasizing the enhancement of the SEZ and fish habitat, public access, and incorporation of the existing retail and commercial uses into setting that eliminates the suburban strip mall configuration in favor of a pedestrian/recreation oriented village.
7. Identify opportunities for continuation of public access along the lakefront either from the marina to the state recreation area through purchase of easements, participation agreements and enforcement of existing rights-of-way to encourage pedestrian and bicycle access.
8. Continue support of the marina expansion efforts to bring a water ferry and water taxi service to the heart of Tahoe City.

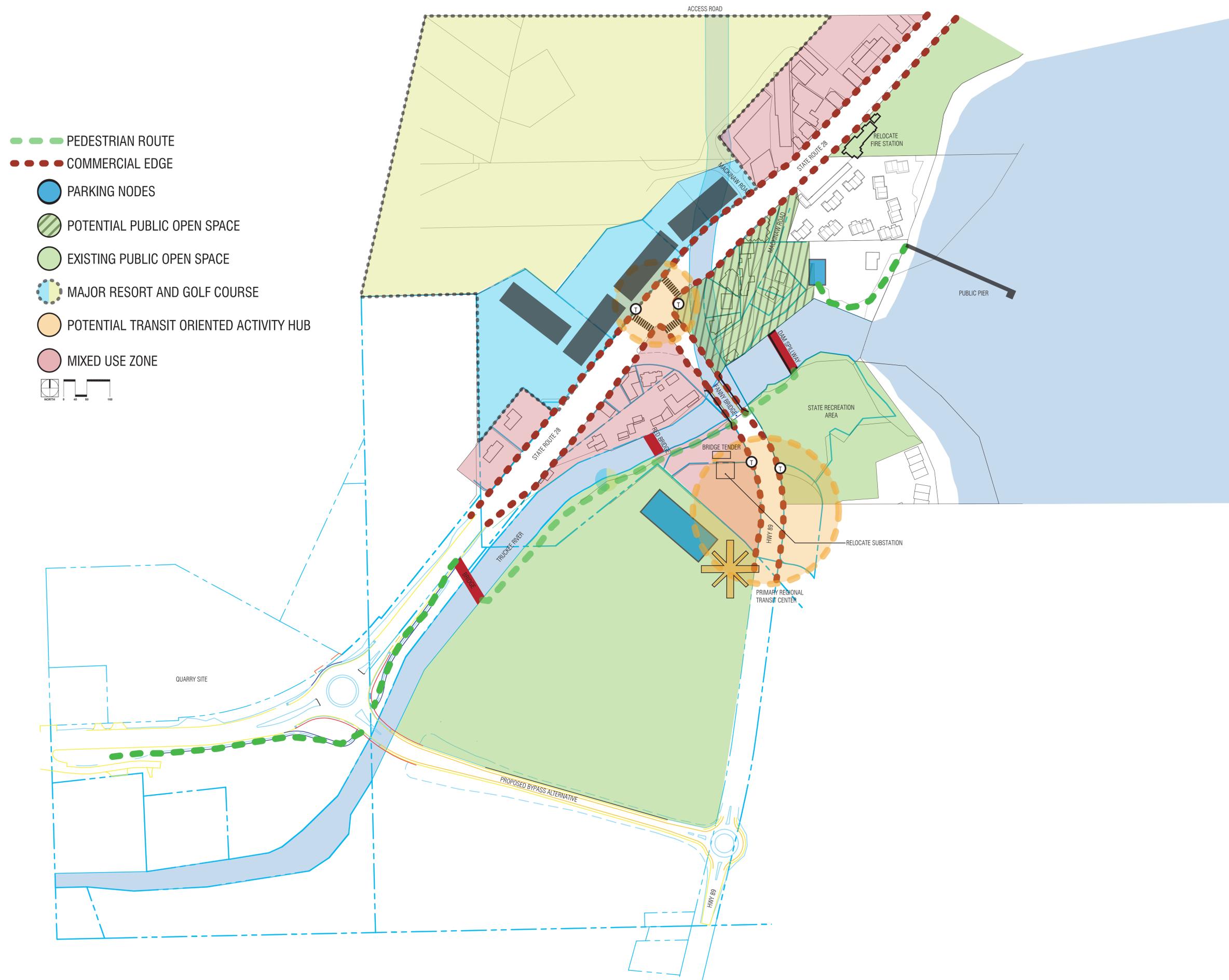


**FIGURE 5:
TAHOE CITY WYE REDEVELOPMENT
CONCEPTUAL PLAN**

This diagram represents a long range vision of possible redevelopment initiatives for Tahoe City. The concepts illustrated here are derived from a variety of sources including stakeholder interviews, public agency discussions, and participation in the Pathway 2007 Place Based Planning workshop, as well as the research and findings in this report. They represent a comprehensive, broad redevelopment approach that may conflict with current regulatory policies and land ownership. As recommendations, they are not intended to identify specific properties for acquisition, but rather are intended to become the basis for a focused community and agency collaboration that brings specificity to future redevelopment efforts.

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5. Reinforce the viability of the commercial/retail district along Highway 28 by encouraging 3-story mixed use redevelopment incorporating market rate and workforce housing. Target redevelopment of existing underperforming and abandoned buildings and properties to create a catalyst for additional redevelopment opportunities.
6. Relocate the existing Fire Station and the visitor center and retire these sites for public open space.
7. Relocate the existing substation adjacent to the relocated Bridgetender restaurant and encourage additional mixed use development in support of a transit oriented redevelopment node.



EPS

Economic &
Planning Systems

Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

VOLUME II

KINGS BEACH AND TAHOE CITY REDEVELOPMENT: MARKET OPPORTUNITIES AND CONSTRAINTS

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I. INTRODUCTION AND SUMMARY

STUDY BACKGROUND AND APPROACH

Kings Beach and Tahoe City are located in Placer County along Lake Tahoe's North Shore. The proximity of these communities to Lake Tahoe and the winter recreational opportunities offered by the Sierra Mountains provides great economic opportunities, but leaves the communities vulnerable to seasonal fluctuations and economic pressures resulting from the tourist-based economy and entitlement risk associated with regulatory requirements critical to maintaining Lake Tahoe's water quality and other environmental imperatives.

Concerned with economic deterioration occurring in these communities, Placer County designated Kings Beach and Tahoe City as Redevelopment Areas. This designation entitles these communities to increased economic development planning and resources through strategic utilization of property tax increment.

The Placer County Redevelopment Agency (County) has retained Economic and Planning Systems, Inc., (EPS) to evaluate the economic position of the land uses in Kings Beach and Tahoe City to help guide economic development efforts. In the first phase of this study, the EPS consulting team¹ held a series of stakeholder interviews to identify the issues impacting the local economy. Those key issues were used to focus the areas of study for this market analysis, listed here:

- The dominance of the tourist orientation of the economy,
- The decreasing ability of the Tahoe City and Kings Beach communities to maintain their retail market shares, and
- The scarcity of workforce housing.

Other issues identified during those interviews such as government regulatory barriers, urban form and parking also significantly affect the type and form of development, and will be covered in more detail in the Implementation Strategy Memorandum which will include a summary of site conditions and will be submitted under separate cover.

This Market Opportunities and Constraints Report (Report) provides an evaluation of the market opportunities present in the Kings Beach and Tahoe City Redevelopment Areas. The Report describes economic trends influencing physical development, including identification of the linkages between key land uses and how trends affecting visitation, housing, and employment affect the demand for various land uses given the

¹ Includes Garcia DeCredico Sherman (Berkeley) and Denise Duffy & Associates (Reno).

physical and regulatory constraints that are in place. In some cases, such as for retail land uses, the study provides specific information related to supportable development. In other cases, as with single-family residential housing, demand for product is significantly greater than that which any conceivable regulatory system would allow, and less emphasis accordingly is applied.

The Report implicitly assumes that protection of the environmental quality of the Tahoe Basin is of paramount importance. Emerging product types and mixed-use development concepts, however, can be introduced to attract more visitors who can enjoy and appreciate the lakeside experience, accommodating modest increases in visitation, utilizing best management practices to minimize environmental impacts, and improving the urban form of the area as well as the overall quality of the "Tahoe experience."

Part of a comprehensive revitalization planning effort, this Report provides economic grounding for development recommendations with regards to supportable commercial and residential land uses. An Implementation Strategy Memorandum which incorporates an analysis of site-specific development opportunities will follow. The Implementation Strategy Memorandum and site conditions summary will provide recommendations for policymakers based on the findings in this Report.

STRUCTURE OF THIS REPORT

Following this introductory chapter, **Chapter II** provides an economic overview of the regional economy. The chapters that follow relate specifically to the North Tahoe market area and the submarket areas of Kings Beach and Tahoe City. **Chapter III** describes the economic sustainability of the region as it relates to quality of life for local residents. **Chapter IV** describes the economic vitality of the region with particular emphasis on the retail economy, and **Chapter V** presents opportunities for revitalization presented by current trends and resources.

FINDINGS

CROSS-CUTTING ISSUES

North Lake Tahoe is more dependent on tourism than most major domestic resort markets.

Leisure earnings as a percentage of total earnings are greater for the North Shore than for other similar resort communities such as Vail, Colorado. Similarly, the proportion of total residential units used for vacation purposes rather than for permanent residents is

higher for the North Shore than other resort localities.² As a result, the typical issues confronting resort locations everywhere (seasonal volatility, housing, transportation, and lack of diversity) are particularly pronounced in the North Tahoe area. These factors, when combined with the uncertainty created by complex or unevenly applied regulatory standards, have resulted in local economies that are either in stasis (Tahoe City) or decline (Kings Beach).

Escalating property values reflect the location's value as a vacation destination, but detract from local economic sustainability.

High land and structural values are creating housing affordability problems for all but the wealthiest segments of the population and impact commercial feasibility as well. For example, land owners in Kings Beach are currently asking \$400 to \$500 per square foot for existing commercial buildings. Using typical industry rules of thumb, a buyer would need to command above-market rents to justify the sales price.³ Residential values are in a similar range, providing little incentive to developers to target lower income sectors of the population.

Lake visibility and access set Tahoe City and Kings Beach apart from other resort attractions, and distinguish the larger basin from other national resorts. Current development patterns fail to recognize this opportunity.

Regional market conditions and the poor location/condition of single-use properties on the lakeshore reinforce the need to revitalize Kings Beach and portions of Tahoe City. This can be accomplished through the strategic design of new development to preserve lake views and enhance access, while replacing older and obsolete retail and visitor accommodations with main street-oriented development incorporating a dynamic blend of housing, accommodations and retail uses. The recognition and celebration of Lake Tahoe is central to the success of these redevelopment project opportunities.

Unintended consequences of the regulatory environment have precluded significant investment in visitor accommodations, leaving few other resources available to fuel local communities' economic engines.

Kings Beach and Tahoe City have aged, obsolete motel inventories. Each town has between 200 and 250 rooms, declining over time as Tourist Accommodation Units (TAUs) are purchased and transferred to the development of high-end accommodations. This has left a patchwork quilt of older, substandard rooms along the lakeshore that preclude the area from competing as a region with other national destinations.

² Dean Runyan Associates, "The Economic Significance of Travel to the North Lake Tahoe Area."

³ For a sales price of \$450/SF, a buyer would need to achieve rents of \$3.50/SF per month to justify the sales price, assuming expenses are 25 percent of gross revenue and a 7.5-percent capitalization rate. Current monthly lease rates in Kings Beach top out at about \$3.00 per square foot.

Mixed use concepts can address financial requirements, urban form goals, and community needs more effectively than single use projects.

Entrepreneurial approaches to development are required to satisfy investor or property owner objectives, and to address the lack of accommodations, lack of housing, poor urban form, and required environmental protection. Vertical and horizontal mixed use prototypes can combine ongoing revenue streams with immediate return on capital from residential unit sales, while responding (with public agency support) to affordable and market rate housing demand. This development concept can provide the quality of urban form needed to compliment the natural beauty of the area with enjoyable, walkable, and eclectic land uses serving a broad range of ages and incomes.

New housing/accommodation hybrids can cluster development to consume less land, while providing year-round economic benefits to communities.

In the past, many of the wealthier segments of the population have purchased second homes but dwell in their units for only a small portion of the year. These empty units do not provide economic benefit to the commercial establishments in the community. Many of today's resort residents are more interested in maintaining an active lifestyle without the need to maintain large residences, shovel snow, and maintain yards. The condo hotel product provides the ability to own equity in real estate while earning rental income when living or vacationing elsewhere, and provides TOT revenue to jurisdictions. The higher average occupancy created by placing the unit in a rental pool supports local retail.

RETAIL/COMMERCIAL DEVELOPMENT

Retail development strategies should focus on careful consideration of appropriate niches, and seek to replace older and poorly located product with well-designed and well-located stores.

The retail sector of Tahoe's North Shore is generally in equilibrium although well-positioned properties can be developed if thoughtfully conceived in terms of market niche and combined with other demand-increasing uses.

Any expansion of retail should be undertaken carefully and deliberately and in concert with residential, accommodations and recreation enhancement efforts. Retail product should focus on 1) quality in an attempt to capture the upper-end tourist market and 2) convenience, to serve the local market of permanent residents and second homeowners. Retail product in the pipeline for Truckee and Northstar will provide market competition that underscores the need to address retail in concert with efforts aimed at increasing local retail demand.

Increased visitor accommodations, focusing on year-round consumer base, represent an excellent source of additional local retail expenditures.

Both Kings Beach and Tahoe City excel in summer months, suffer during shoulder seasons, and are failing to reach their winter potential. Certain products can better position the towns in the larger regional resort economy. Examples include condominium-hotels (condo-hotels), hotels, fractional units, and housing for permanent residents. Second homes, of which there are a plethora on the North Shore and which are rarely occupied, do not adequately support the retail economy. Increased occupancy of second homes as the baby-boomer cohort looks to improved lifestyles at the tail-end of peak earning years, however, may support additional retail without requiring additional development.

Tahoe City is well-positioned to take advantage of proximity to ski resorts, positioning the community to strengthen its winter performance.

Enhancement of lake access and views, improvement in the quality of accommodations, introduction of music and entertainment venues, and improved pedestrian access will best support the enhancement of the retail base through the creation of a viable “place” establishing the town as one of the nation’s best examples of a pristine lakeshore village. It is imperative that the west side of North Lake Boulevard on the northern end of town be redeveloped with a mix of vital land uses.

Kings Beach presents great challenges to retailers because of a lack of cohesion associated with rapid traffic flows, inconsistent levels of investment, suboptimal lakeside development, poor entry experiences at both ends of town, and overcrowded, substandard residential districts.

Kings Beach also needs to improve the quality of accommodations, and increase the value of its lake proximity. Better quality affordable rental housing to help relieve neighborhood blight is essential to attracting significant retail and other commercial investment. Efforts to improve urban form and pedestrian-friendly conditions will assist retailers in capturing would-be drive-through tourists on their way to Incline Village and Nevada’s gaming establishments. Implementation of the commercial core project paired with a comprehensive parking strategy and one or two catalyst redevelopment projects would greatly assist in putting Kings Beach back on course to become a stable, sustainable local economy.

HOUSING

North Tahoe's market rate housing is in strong demand, with local buyers often outbid by vacation homeowners from other regions.

The demand for new market rate, luxury housing is greater than the environmentally sensitive region can supply, requiring continuation of strong but appropriate regulations to protect Lake quality. Development proposals in the less sensitive but still carefully regulated Martis Valley provide a mere hint of the level of development that would occur in this sector in the Tahoe region. The issue with housing development is one of supply that is severely limited by regulations and the availability of developable land. The consequences of these limitations on supply are addressed in the findings with regards to neighborhood blight and lack of available "basic-necessity" workers.

The service worker population is fundamental to the efficient operation of the resort economy, but suffers from substandard housing. This affects business income and the investment climate in the North Tahoe region.

The supply of housing is insufficient to meet the demand created by the high number of low-wage workers required to support the leisure-based economy. The high land values and intense regulatory controls typical in environmentally sensitive areas create population pressures that result in neighborhood degradation over time.

The reliance of low-wage workers on public transit increases the importance of developing appropriate housing in and near the commercial core where mass transit is most available.

Kings Beach is experiencing the consequences of housing market constriction. The overcrowding of available units and conversion of nonresidential uses such as motels and church buildings present a risky environment to potential investors who seek a more stable economic climate. The high proportion of renter households relative to owner-occupied households in Kings Beach exacerbates the perceived investment risk (see **Table 5**). The provision of replacement and additional housing to relieve this pressure will be key to any revitalization strategy in Kings Beach.

Public servants and other middle income employees are fundamental to any sustainable local economy. In North Tahoe, housing options for this population are negligible.

Housing options are limited for employees of basic-necessity economic sectors such as education, healthcare and public utility providers. Attracting workers from out of the area to fill crucial positions is difficult because of the high cost of housing relative to moderate income wages. Provision of housing for this sector of the market is made

more difficult because of regulations that treat housing units for middle-income workers the same as housing for wealthy vacation home purchasers.

In addition to rental housing for service workers, the development of condominiums in the retail districts of Tahoe City and Kings Beach should be considered.

Condominiums providing greater amenities and reduced maintenance than single-family units can be developed to target a variety of market segments. Such segments include second homeowners as well as the permanent workforce. The economic feasibility of these residential units can be used to support commercial uses in the same development. The product can be configured to be compatible with the visitor-serving orientation of the Kings Beach and Tahoe City commercial centers.

VISITOR ECONOMY

Stagnancy in the hotel sector, as measured by occupancy and room rates, is a function of flat visitation performance as well as poor quality accommodations. These factors are mutually reinforcing.

Resorts such as Northstar and Squaw Valley are taking the necessary steps to bring Tahoe the entertainment, retail, and diversity of product type necessary to compete nationally and globally. These projects will work, over time, to improve the Tahoe region's overall visitation. To similarly contribute to the economic strength of the Tahoe region and increase local visitation without harming other regional accommodations, Kings Beach and Tahoe City need to take greater advantage of their proximity to the lake - its views and recreational possibilities.

The existing stock of visitor accommodations in Kings Beach and Tahoe City is uncompetitive.

Opportunities for rehabilitation, re-use, and redevelopment of the existing accommodations stock should be sought out and supported. The uncertainty of the regulatory environment has been cited by stakeholders as a disincentive to hotel developers and investors because of the high level of risk that is present.

Conference, retreat and convention business could provide "shoulder season" relief if viable facilities and accommodations were available.

The economics of the region suffer during the "shoulder seasons" — mid-spring and mid-fall. Opportunities to attract additional visitation during these seasons are minimal. However, Tahoe City and Kings Beach are both positioned to take advantage of lake views during times when recreation is not at its peak. For example, a refurbished or redeveloped conference center, paired with new high quality accommodations could have significant appeal to Bay Area and Sacramento firms and organizations.

TRANSPORTATION AND PARKING

There is a need for improved transportation options for tourists and low wage workers alike.

Regional resort visitation would be bolstered by improved shuttle services connecting tourists with ski resorts and other lake communities, allowing the communities to compete with the full-package resorts where one can leave the car and enjoy recreation, dining and shopping.

Efficient movement of workers particularly during high tourist season would support the employment base and decrease hazardous practices, such as hitchhiking, for workers.

The County should undertake a comprehensive parking strategy to support recommended redevelopment involving visitor accommodations, housing, and retail. Potential loss of on-street parking through pedestrian-oriented street improvements makes such a strategy particularly essential.

LEISURE AND CULTURE

Both Tahoe City and Kings Beach need to aggressively pursue improved cultural and recreational opportunities appealing to a broad range of consumers.

The public and private sectors need to work in partnership to stimulate leisure and cultural opportunities to catalyze economic growth. Key opportunities include these:

- Customized packages for visitors;
- Increasing marketing and then catering to international visitors;
- Targeting families and baby boomers with age-appropriate activities;
- Targeting “Generation X” and “baby boom echo” population cohorts through music, entertainment, and indoor/alternative sporting venues; and
- Expanding on cultural heritage that ties together the natural environment, human activity, history, and education linkages in the area.

Many of these activities rely to a large extent on successful revitalization of the infrastructure in the north shore communities, increasing the supply of good lodging, creation of pedestrian-friendly commercial cores, well operated public transportation, and cooperation among government entities and private business owners to successfully campaign the unique characteristics that each of the communities has to offer.

The North Lake Tahoe Resort Association and the North Tahoe Business Association represent a significant infrastructure for coordination and marketing. In addition, leveraging resources of other existing organizations such as the Reno-Sparks Visitor and Convention Center Authority and Nevada Commission on Tourism could package the north shore in a regional context, potentially enticing a greater number of international and US visitors from outside of California.

While opportunities seem to abound for increasing summer and winter visitation, there are also opportunities to increase visitation during the shoulder months. In particular, the availability of a year-round performing arts stage could spark new events, such as a Fall Festival. International visitors tend to be more interested in experiencing the culture of an area, sampling cuisine, shopping, and discovering local peculiarities and should therefore be pursued to keep lodging beds warm during the shoulder months.

II. REGIONAL ECONOMIC OVERVIEW

PLACER COUNTY

Tahoe City and Kings Beach are communities located in the unincorporated portion of Placer County, California. Placer County covers a large and diverse territory. The southern portion of the County is rapidly urbanizing with large-scale residential development and significant municipal annexation occurring. To the east are the foothills of the Sierra Nevada, rising to the peaks surrounding the Lake Tahoe Basin. Lake Tahoe's North Shore is rural and the lands environmentally sensitive, placing many constraints on development. **Map 1** shows Placer County, its cities, and its communities.

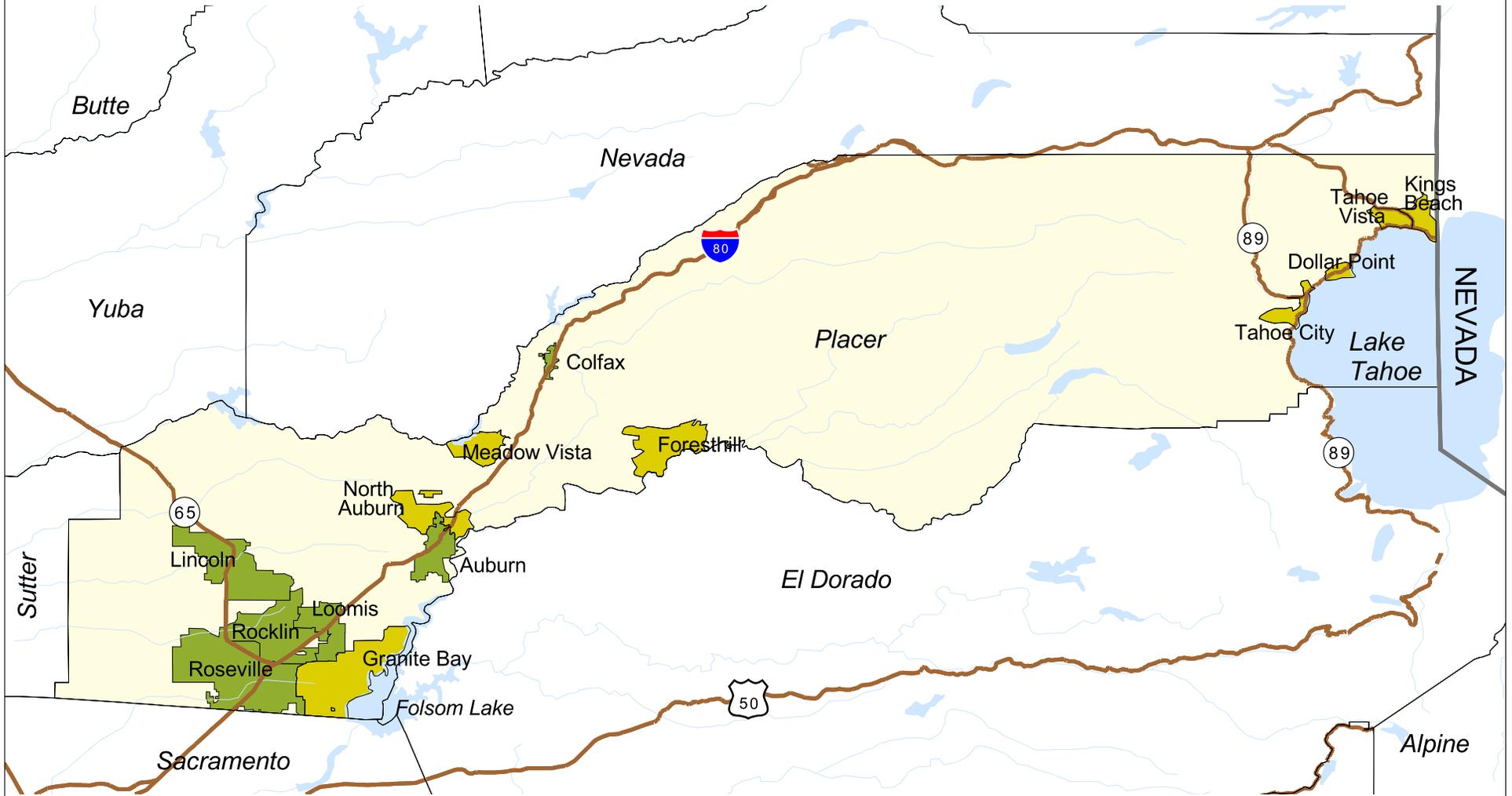
Population for the County was estimated at 305,675 in 2005 with 34 percent of the population located in the unincorporated County. Growth patterns in the County point to explosive growth in several of the incorporated cities with population growth in the unincorporated county at a lower rate than that of the State as a whole. **Table 1** shows the rapid growth of cities in the western portion of the County. While the unincorporated County is growing steadily, this large area covers not only the Sierra Nevada, but also the more rural locations around the cities, as well as the foothill communities of Colfax and Foresthill and the affluent community of Granite Bay. Population around the North Shore increased 0.2 percent in Tahoe City, 4.9 percent in Tahoe Vista, and 3.2 percent in Kings Beach between the 1990 and 2000 Censuses.

The high technology, health care and construction engines that are driving the economy in the southern portion of the County are not of significance in the portion of the unincorporated County along Lake Tahoe's North Shore, other than providing a further basis of population support for visitation and recreation.

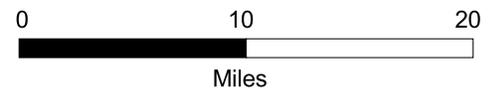
The basis of the economy in the North Shore, the area including Tahoe City and Kings Beach, is leisure and recreation. The beauty and recreation offered by Lake Tahoe in the summer and the winter sports offered by the mountains in the winter provide peak season attractions for visitors.

The North Shore communities of Placer County are not only geographically different from the remainder of the County but also have a different population growth pattern because of the number of part-time homeowners. The local economy is heavily dependent on seasonal tourism hence population during the height of summer and winter recreation months may be upwards of three times the annual average for the area. The seasonal population variation impacts both commercial activity and provision of local public services.

**Map 1
Kings Beach and Tahoe City Market Study
Placer County, California**



- Incorporated Cities
- Census Designated Places
- Counties
- Water
- Highways



**Table 1
Placer/Sacramento Population 1995–2005**

Item	1995	2005	Growth 1995 - 2005
Placer County	207,200	305,675	47.5%
Auburn	11,850	12,849	8.4%
Colfax	1,440	1,822	26.5%
Lincoln	8,300	27,356	229.6%
Loomis	6,200	6,274	1.2%
Rocklin	26,150	50,494	93.1%
Roseville	59,300	102,191	72.3%
Unincorporated	93,900	104,689	11.5%
Sacramento Region	1,758,000	2,192,359	24.7%
California	31,617,000	36,810,358	16.4%

"pop"

Sources: Placer County Economic & Demographic Profile, 2006

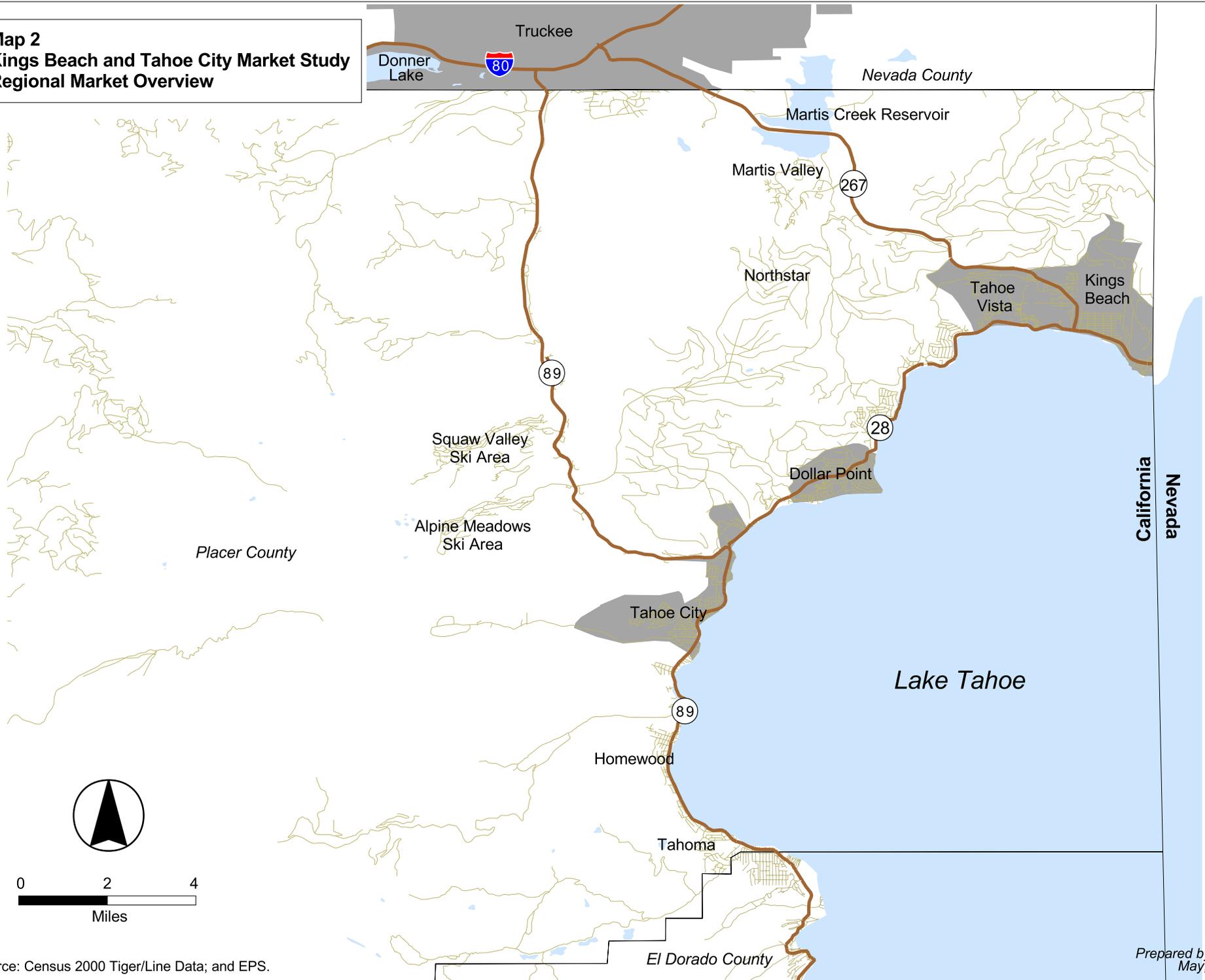
The variation of the economic base between economically diverse and booming south end of the County and the relatively rural, tourist-dependent economy of the North Shore makes analysis of data at the County level insufficient for this study. Data provided by the United States Census Bureau provides the best level for analysis however, the Census figures are now six years old. There is, therefore, a need to supplement commonly accepted statistical information with observations by participants in the local economy.

REGIONAL MARKET

The surrounding Placer County communities of the West Shore (Homewood, Tahoma), Alpine Meadows, Squaw Valley, Martis Valley, and Northstar compete with Tahoe City and Kings Beach as places to visit, work, recreate, shop, and live. These areas are depicted in **Map 2**.

The North Shore communities have faced greater competition with the opening of the new Villages at Squaw and Northstar. These Villages go to great lengths to entice the entire family to play and stay at their properties by creating base-area “pedestrian villages” that seek to provide a full package of activities for all members of the family

Map 2
Kings Beach and Tahoe City Market Study
Regional Market Overview



Source: Census 2000 Tiger/Line Data; and EPS.

Prepared by EPS
May, 2006

after a day on the ski slopes: designer clothing outlets, trendy boutiques, fine dining, snack-and-go shops, top-end gear stores and deli/coffee houses, for example.

There is a significant amount of high-end housing, including a large amount of condominium (including condo-hotels) and fractional-ownership opportunities being developed in the competing regional market.

Increased visitation to these properties will increase demand for visitor-oriented retail goods and professional services such as expanded real estate sales offices. The positive economic impact of increased supply of fractional units is the capacity of the resort economy to increase retail spending, but more importantly to spread that spending over a greater part of the year, rather than just increasing visitation during the peak periods. A potential negative economic impact is for this type of increased visitation to threaten to displace existing community-serving commercial businesses.

High-end seasonal housing is occupied by second homeowners for 2-4 weeks of the year, while fractional ownerships have a transient visitor population. Since these part-time "residents" are not employed locally, they often lack strong connections to the local community.

FUTURE PROPOSED AND APPROVED DEVELOPMENTS

While the North Shore communities of Kings Beach, Tahoe Vista and Tahoe City struggle with the regulatory barriers to develop or renovate properties, there are large development plans occurring outside of the communities in the regional market. **Table 2** shows total major development known at this time for communities in the unincorporated portion of Placer County. **Table 3** shows the same information for the Town of Truckee. While these tables probably do not capture all proposed and approved development in the regional market, they indicate a rapidly growing Town of Truckee with the potential for over a million square feet of additional retail, commercial, office, and industrial product.

The pipeline of nonresidential square footage in the regional market significantly limits the options for commercial development in Kings Beach and Tahoe City.

Regional and community serving retail will likely be provided by Truckee and other, more urbanized jurisdictions. Retail strategies for Kings Beach and Tahoe City will need to focus on smaller-scale visitor serving and convenience goods and services for the local population (i.e., neighborhood-serving retail).

Table 2
Kings Beach and Tahoe City Market Opportunities and Constraints
Placer County "Pipeline" Development (includes approved unbuilt projects and projects pending approval)

	Nonresidential Square Feet			SF	Residential Units/Rooms			
	Retail	Office	Commercial		MF	Hotel	Condo & Townhome **	Affordable (if known)
Crystal Bay to Carnelian Bay								
Kings Beach								
Bigler Commercial Bldg			3,071					
Tahoe Vista								
Cedar Grove								155
Sandy Beach						45		10
<hr/>								
Tahoe City								
The Customs House	6,500	3,800						
<hr/>								
West Shore								
Villas at Harborside **							9	
<hr/>								
Martis Valley								
Timilick				221			188	
Siller Ranch				602			116	
Pinyon Creek II							40	
Northstar								
The Village ** (21 units fractional)	100,000						350	
The Highlands ** (estimated 497 fractionals)							1,298	
Porcupine Hill				12				
Ritz Carlton ** (77 fractional)						172	152	
Sawmill Heights								96
<hr/>								
Squaw								
Resort at Squaw Creek expansion **				30			185	
Squaw - Other				19				
Plumpjack Inn (MF and lockout units)				34		28		
Sena							182	18
TOTAL	106,500	3,800	3,071	918	-	245	2,520	279

"placer"

** Fractional units, or units that may be fully owned by one party but potentially available in a rental program.

Source: Placer County and EPS.

Table 3
Kings Beach and Tahoe City Market Opportunities and Constraints
Town of Truckee "Pipeline" Development (includes approved unbuilt projects and projects pending approval)

	Nonresidential Square Feet				Residential Units/Rooms				
	Retail (includes restaurants)	Office	Commercial	Industrial	SF	MF	Hotel	Condo & Townhome	Affordable (if known)
Partially Built									
Pineforest					118				
Truckee Industrial Park [1]				91,476					
Pioneer Commerce	6,752	754	89,377	134,317		46			
Old Greenwood					114		20	192	
Proposed/Approved									
Pioneer East			76,893						60
Lodging Center [2]	35,855	15,905					120		
Gateway Vista			16,300		6				
Gregory Creek					28				
Soaring Way			22,000						
Knights Crossing			38,197		12				
Canyon Springs					250				
Coldstream			70,000		250		100		
Joerger Ranch			150,000			174			
Hilltop			60,000		286				
Gray's Crossing [3]	38,900		5,000		410	21	120	105	92
Railyards [4]	81,500	104,000			12	396			
TOTAL	163,007	120,659	527,767	225,793	1,486	637	360	297	152

"truckee"

Source: Town of Truckee.

[1] Total 21 acres. Square footage is an estimate based on coverage of 50% and loss of 20% of land for public dedications.

[2] Also includes a 1,410 sq. ft. visitor center

[3] Also includes 1,800 sq. ft. gas station, a church site, cultural center of approx. 7,200 sq. ft.

[4] Also includes a 12,000 sq. ft. museum and 1,200 seat movie complex.

Significant residential growth is also planned, the majority of which will be second homes, in the Town of Truckee and Martis Valley (including Northstar). The Town of Truckee has approximately 1,800 single-family units (including condominiums and townhomes) either partially built or in the development pipeline. Of the total residential supply, about 17 percent (21 percent in Placer County and 10 percent in Truckee) is intended to be either fractional ownership or whole ownership with a rental program option. This trend has potentially significant economic impact on the Tahoe City and Kings Beach economic markets.

The Village at Northstar is now partially complete; with 100 units built and 113 units currently under construction. A total of 100,000 retail square feet and ice-skating rink and community gathering space form a vital component of the vacation experience. In addition to the Village at Northstar, a Ritz Hotel is scheduled to be completed by 2009, providing approximately 172 traditional hotel rooms and another 78 fractional and 75 whole ownership units. An additional 1,297 ski in/out homes to be located around the Ritz are anticipated to be absorbed over a 20-year period.

In the development pipeline in Squaw Valley there are approximately 50 single-family units proposed, an expansion to the existing Plumpjack Inn of approximately 28 units and 182 condominiums/townhomes as part of the Sena development. The Resort at Squaw Creek that was recently renovated from hotel to condo-hotel⁴ also is expanding with the addition of 185 condominiums and 30 one-acre home-sites.

LEISURE TRENDS

According to a study prepared for the North Lake Tahoe Resort Association (NLTRA), the primary and secondary impacts of tourism produce 65 percent of North Shore employment earnings and 71 percent of its jobs.⁵ As lifestyles change and the amount of time and financial resources available for leisure and recreation fluctuate, the impacts are likely to be felt in the resort communities of Lake Tahoe. Randall Travel Research reports annually on trends in travel throughout the United States. The following text table lists those trends and their implications for Tahoe City and Kings Beach.

⁴A condo-hotel is a condominium project that has rental or registration desks, short-term occupancy, food and telephone services, and daily cleaning services and that is operated as a commercial hotel even though the units are individually owned

⁵ "The Economic Significance of Travel to the North Lake Tahoe Area: 1997-2002 Detailed Visitor Impact Estimates, Dean Runyan Associates, December 2003.

Top 10 Trends in U.S. Travel⁶:

The leisure market will continue to experience growth but at a moderate rate. In 2005, leisure travel increased 4 percent nationwide with an increase in 7 percent in the number of international visitors. Business travel increased only 1 percent. Higher travel prices are expected for 2006 and thus growth is expected to be more modest.

The lodging industry is setting new records in terms of financial performance. Nationwide occupancy levels reached 63.1 percent in 2005 and that number is expected to reach 64.1 percent in 2006. The supply of new hotel rooms is increasing slowly with an anticipated growth rate of fewer than 2 percent in 2006. Without the increase in supply, room rates are increasing with revenue per available room (RevPAR) increasing 8.4 percent in 2005.

Experts predict that airlines, which have been experiencing losses for the past 5 years, have seen the worst of it, and 2006 may be the year things begin to improve and that by 2007 airlines will again be profitable.

Employees are traveling for work less frequently than five years ago. Businesses are using other forms of communications and are focusing on cost-containment and the costs associated with travel such as hotel, airfare and car rental rates are expected to increase.

There is anticipated travel by the old and the young. Baby boomers are reaching retirement age and travel tops their list of desired post-retirement activities. The student population is also growing and students are taking more expensive trips and traveling at younger ages.

Implications for Kings Beach and Tahoe City:

Increased growth in sector expands "pie" in Tahoe Basin allowing lakeshore to increase accommodations without cutting into resort market share.

Increased investor interest in market area likely.

Increased out of state travel and multi-day stays during winter months.

No change anticipated.

Requires a broad mix of retail and entertainment categories.

⁶ "Top Ten Travel and Tourism Trends for 2006," Randall Travel Marketing.

Americans are suffering from “time poverty.” Even with the few days of vacation time offered to the average American worker, a significant percentage of employees do not use their annual allotment. When Americans do travel they attempt to simplify their planning by purchasing all-inclusive events. As a backlash to this lack of leisure, more people are taking longer “sabbatical vacations,” which are saved for in both vacation time and money to take a “trip of a lifetime.”

With regard to attractions such as amusement parks and museums, “fun, new, animated” types of attractions are doing well, while “static, boring” museums and attractions continue to do poorly.

The Internet is now the number one source of travel planning and purchasing. 78 percent of the American population used the Internet to research their travel plans. A vast majority of those who use the Internet to research online also purchase online. The availability of high speed Internet connections in their hotel room has become the number one priority for business travelers.

There is an increase in customized travel packages, increasing from 14 percent in 2002 to 56 percent of the tours in 2005.

Cruise ship travel and recreational vehicle (RV) travel demand has increased. Cruise ships are successfully catering to family travelers. As the population ages, RV sales and rentals are expected to continue to increase.

Other trends noted in the Randall report that may impact the Lake Tahoe leisure industry include the increase in traveling with ones pet, youth sports travel, family reunion travel, grandparent/grandchild travel, nature travel, and adventure/extreme sports travel. The rapid growth in the spa industry may be coming to an end.

Need to upgrade accommodations and entertainment options to make Tahoe City and Kings Beach a “base of operations” for people interested in an extended stay.

Could take advantage of “gateway experience” into the State at Kings Beach with a State/Lake interpretive center at site of current gas station. Concept development should keep industry trends in mind during planning stages.

Current searches for Kings Beach and Tahoe City demonstrate that these communities are not fully benefiting from this trend.

Requires increased aggressiveness and creativity on the part of leisure marketers.

RV travel may impact demand for campground spaces.

III. ECONOMIC PROFILE AND TRENDS

The North Shore of Lake Tahoe, including the communities of Kings Beach and Tahoe City, is more reliant on tourism than many other resort economies in the United States. Challenges for maintaining a healthy economic climate in such desirable resort-destination localities are many. In this chapter we review some of the trends and issues facing the Tahoe City and Kings Beach communities.

COMMUNITY DEMOGRAPHIC PROFILES

Table 4 presents basic demographic information from the 2000 Census describing the North Shore market area. **Map 3** provides the depiction of the market area census tracts as defined for this demographic profile as well as the retail analysis provided below.

The data show a population of over 12,000 permanent residents the majority of whom are male and non-Hispanic white. Educational attainment is higher than the national average and median income and poverty rates are consistent with the national levels for that time (1999).

The majority of the housing stock consists of units that are occupied either by an owner who uses the property seasonally or are used for vacation rentals. The impact of this significant number of vacation-oriented units and tourist-serving accommodations in the immediate and surrounding areas means the permanent residents make up a fraction of the population during peak tourist seasons.

A tour of the communities of Tahoe City and Kings Beach reveals visible differences between them. **Table 5** presents a summary of social indicators highlighting the socio-economic differences between the two redevelopment areas. Typical market-oriented investors are likely to look favorably on the demographic data in Tahoe City. Attracting investment to Kings Beach will be more difficult. The concentration of rental housing in Kings Beach could be interpreted as an indication of economic instability.

Kings Beach has been characterized as providing the workforce housing for the region. The 2000 Census data along with Free and Reduced Price Lunch data from the local elementary school confirm this notion. Kings Beach residents are more likely to be renters, living below the poverty level, and less educated than their counterparts in Tahoe City. Tahoe City also has far fewer permanent residents than Kings Beach whose residents also are more ethnically diverse.

Table 4
Kings Beach and Tahoe City Market Opportunities and Constraints
Market Area Demographic Profile

Item	Number	Proportion
Total Population	12,158	
Male	6,560	54%
Female	5,598	46%
Ethnicity		
White Non-Hispanic	9,337	77%
Other Non-Hispanic	389	3%
Hispanic	2,432	20%
Education Level [1]		
High School Graduate or Higher		86%
Bachelor's Degree or Higher		34%
Housing Occupancy and Tenure		
Occupied - Own		25%
Occupied - Rent		17%
Vacant Seasonal		55%
Vacant Other		3%
Income Level		
Under \$20,000		16%
\$20,000 to \$39,999		25%
\$40,000 to \$59,999		20%
\$60,000 to \$99,999		24%
\$100,000 and above		16%
Below Poverty Level		11%
Median Income Range [2]	\$40,000 to \$44,999	

"demo profile"

Source: 2000 Census for Placer County Census Tracts 201.01 through 201.07.

[1] Based on population 25 or older.

[2] Based on 1999 income, not adjusted to current dollars.

**Map 3
Kings Beach and Tahoe City Market Study
Market Area**

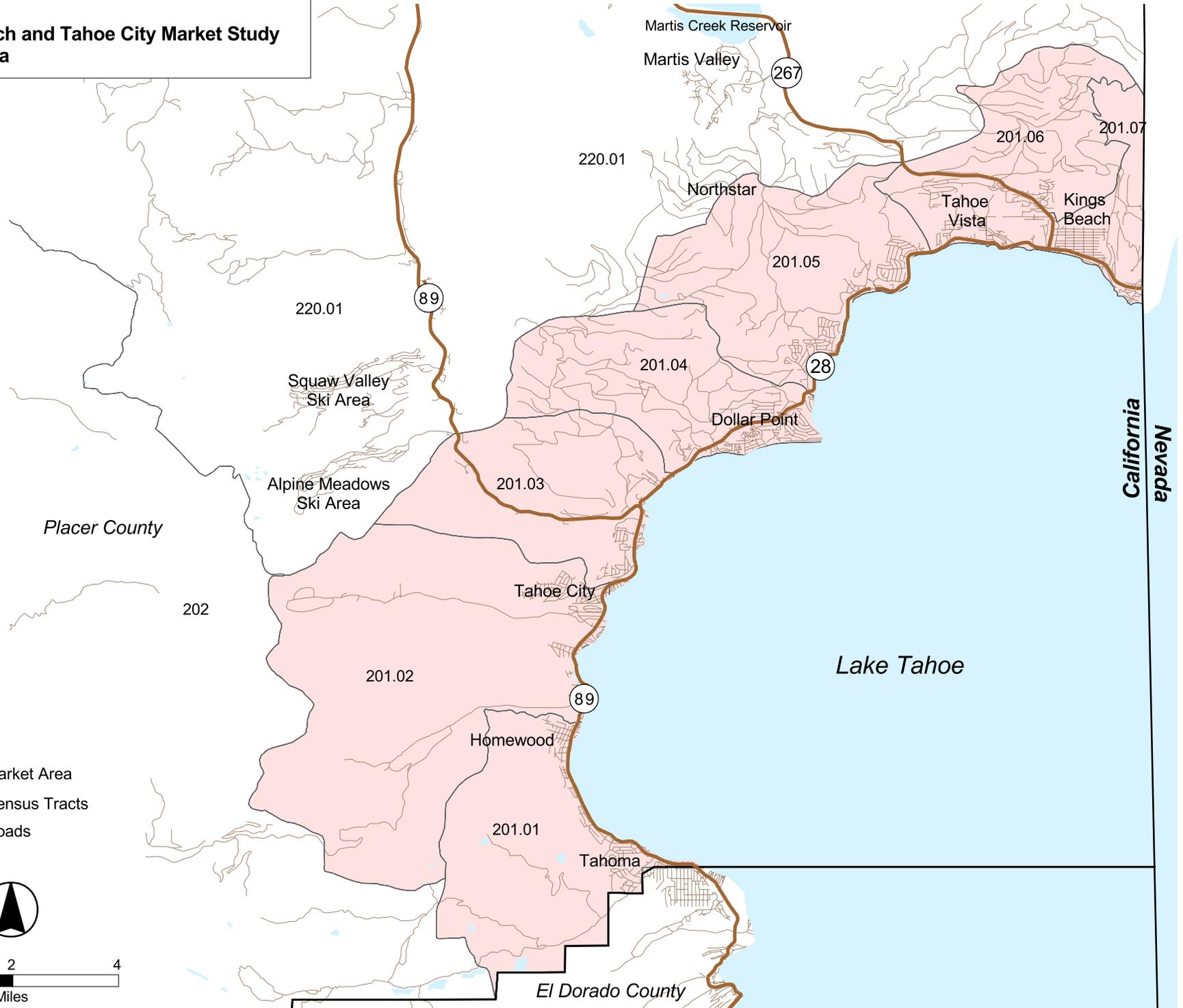


Table 5
Kings Beach and Tahoe City Market Opportunities and Constraints
Social Indicator Summary

Item	Kings Beach	Tahoe City	United States
2000 Population	4,037	1,761	
Housing Tenure			
Own	39%	59%	66%
Rent	61%	41%	34%
Ethnicity			
White Non-Hispanic	49%	92%	
Other Non-Hispanic	3%	4%	
Hispanic	48%	4%	13%
Education Level [1]			
High School Graduate or Higher	67%	97%	80%
Bachelor's Degree or Higher	17%	45%	24%
Income and Poverty			
Median Household Income 1999	\$35,507	\$56,875	\$41,994
Individuals Below Poverty Level	18%	6%	12%
Free or Reduced Price Lunch Eligibility [2]	73%	10%	

"demo_sum"

Source/Note: All data from 2000 Census with the exception of Free and Reduced Price Lunch Eligibility, which is from Truckee Tahoe Unified School District for Jan. 2006. Census boundaries for each community are based on Census Designated Place.

[1] For population 25 years and over.

[2] Kings Beach figures from Kings Beach Elementary, Tahoe City from Tahoe Lake Elementary.

ECONOMIC DIVERSIFICATION

A diverse economy provides its residents the ability to re-train and re-employ when economic shifts impact various employment sectors. Communities relying solely on one industry or employer are more vulnerable to economic shifts than those with a diverse economic base. Historical examples abound including the impact on Detroit with the decline of auto manufacturing and the Silicon Valley in California with the decline of the high technology boom.

Table 6
Leisure Industry Earnings by Place of Work as a Percentage of Total Earnings, 2000

Area	Leisure Industry Earnings as % of Total Earnings
North Lake Tahoe Area	37%
Mammoth Lake, CA	32%
Park City, UT	22%
Sun Valley, ID	15%
Aspen, CO	22%
Vail, CO	21%

"leisure_earn"

Source: Dean Runyan and Associates.

The employment base for North Shore residents is the leisure industry. The North Shore leisure employment base is impacted by weather, maintenance of lake and forest quality, quality and quantity of access to natural and man-made resources, and the availability of disposable income of potential visitors among other things. When compared with other similar resort destinations, as **Table 6** demonstrates, the North Lake Tahoe area has the highest percentage of earnings coming from the leisure industry.⁷ This high percentage indicates the susceptibility of the economy to travel and tourism trends. The North Tahoe Business Association (NTBA) business survey results reinforce this finding, with 25 percent of surveyed businesses being directly in the accommodation, food services and recreation business category, and a lack of representation by trade businesses, and information, finance and insurance business

⁷ Dean Runyan, p. 14

categories. In researching for high-tech companies in the area, only two were found: one in South Shore, and one in Incline Village.

Ideas from stakeholders to diversify include increased education possibilities and becoming a prominent area for green building concepts. For example, the North Shore could house a school for alternative building practices certification. This year-round economic activity could include a specialized school for certification in alternative building construction practices, such as “green” building, and other such environmentally based techniques on the forefront of alternative and energy-efficient construction methods.

TRANSPORTATION AND HOUSING

Quality of life among permanent residents is an important criterion for the region in its quest to achieve a diverse economy. When employers seek to establish their businesses and remain profitable in a given location they must be able to find appropriately skilled workers for the wages they are able to pay. The quality of life for permanent residents includes the ability to purchase or rent a home within a reasonable distance of the workplace, and to access well operated public services such as schools and health care.

Resort communities are particularly challenged with regards to their ability to provide such quality of life resources due largely to the high value and cost of land and the need to compete for homes not only with other local employees but with second homebuyers and real estate investors as well.

According to the “The North Lake Tahoe Tourism and Community Investment Plan” (Investment Plan),⁸

The North Lake Tahoe community is experiencing economic displacement for portions of its workforce and local population. The result is the disbursement of the community, with residents living in different locations and commuting great distances to their workplaces.

TRANSPORTATION

Public transit issues are two-fold; first good transport is needed for employees getting to and from work, and second, as the North Shore’s economic base is so heavily tourist-oriented, ease of movement for visitors is critical.

⁸ “North Lake Tahoe Tourism and Community Investment Plan,” Final Draft June 8, 2004 p. 13.

Employee Commute Patterns

According to Dean Runyan Associates, a “substantial portion of the labor force working in the North Lake Tahoe Area resides outside the area.”⁹ Many of the individuals interviewed by EPS indicated that housing affordable to the local workforce was limited or unavailable. Workers are commuting from more affordable locations such as Reno, Nevada. Anecdotes were given that such workers might commute from their more-affordable locales until other, more convenient opportunities for employment present themselves. Thus, the ability to maintain a stable and suitable workforce is a challenge for employers.

Providing public transportation for employee commutes is most critical during the winter period for both citizens and foreign workers making little more than minimum wage. These workers typically cannot afford accommodation within walking distance of their jobs and are frequently sited along the major highways hitching a lift. Although bus stops and bus services are provided to many of the ski areas, frequency of service is limited, and some comment was made during interviews that the bus schedules are currently not conducive to increased ridership.

Along the North Shore, employees may use Tahoe Area Regional Transit (TART), Truckee Transit, or one of the resort employee shuttle services. Northstar and Sugar Bowl operate their own shuttle programs and Squaw Valley also shuttles to Reno on a daily basis. These employee shuttles are offered on a low-cost (often free) basis, and employees at Sugar Bowl are paid to ride the bus on peak ski days. Boreal also offers employee incentives for employees carpooling to the ski area. Truckee Transit increases service during the wintertime primarily for ski area employees with three primary routes (Truckee to Sugar Bowl, Truckee to Northstar, and Northstar to Kings Beach/Tahoe Vista). Only one dial-a-ride bus operates during the summer, however.

Visitor Transportation

There is a need for better transit options to enhance visitors’ Tahoe experience, help achieve environmental thresholds, and reduce congestion during peak hours of travel. A good transit system is interdependent with pedestrian-friendly destinations that have vibrant commercial cores and excellent accommodation options. To be successful, the destinations that the transit systems serve must each offer something unique to entice the visitor to stop, stay, and spend in that community. Just as Northstar and Squaw have become one-stop destinations, the lakeshore communities must capitalize on their assets with a well-functioning transit system such that visitors could easily choose to experience not only the Lake, but also the assets of each of the communities around it.

⁹ Dean Runyan Associates, (footnote 3) p. 19

The predominant mode of travel to/from the North Shore is private automobile. Sixty-five percent to 86 percent of travelers use automobiles. The greatest dependency on automobile is during the summer by day visitors.¹⁰ Increased local public transportation occurs between Independence Day and Labor Day with the addition of the Tahoe Trolley service, which travels from the Tahoe City “Y” to Squaw Valley and from the Tahoe City “Y” to Crystal Bay, and a free evening service between Squaw and Incline Village.

During the winter, almost all of the ski resorts offer free skier shuttles to their guests. Many of the hotel casinos in Reno also offer bus service through private carriers to the ski areas for approximately \$10 roundtrip. The Tahoe Queen, also operated independently provides a north-to-South Shore skier shuttle. Guests are transported by bus from the South Shore to Squaw Valley and at the end of the day are dropped off at the Tahoe City Marina to cruise back to South Shore. Another shuttle picks up the passengers at South Shore so that the visitors have door-to-door service. This service has seen a decline in use, and there is currently a proposal to include Northstar as well as Squaw Valley on the North Shore.

Parking

The automobile is and will likely to continue to be the main mode of transportation for residents and visitors to the North Shore. Efforts to improve the urban form and create a pedestrian-safe environment in Kings Beach and Tahoe City will likely reduce the availability of on street parking. However, the ability to attract customers to retail and dining facilities will be heavily dependent on convenient access by consumers. Therefore, a comprehensive parking strategy that maximizes visibility of commercial establishments while providing sufficient parking will be important to successful redevelopment efforts.

HOUSING

Workforce Housing

The high cost of housing relative to wages typically offered in the leisure industry has been well documented in other reports such as these:

- “Business Plan: Workforce Housing Association of Truckee Tahoe,” September 2005;
- “The Proposed Cedar Grove Project Affordable Housing Demand Review,” October 2004; and
- “Truckee Seasonal Worker Housing Study,” October 2003.

¹⁰ LSC Transportation Consultants, “Tahoe Interregional/Intraregional Transit Study, Draft, 2006.

Table 7, which is derived from 2000 U.S. Census data, shows that over one third of all renters in the market area are considered to be rent burdened or paying 35 percent or more of their incomes in rent. These data may not fully reveal the depth of the problem. An article in the Sierra Sun, dated March 1, 2006 and included in **Appendix A**, describes the plight of seasonal workers who receive service sector wages and either commute from Reno or live in over crowded conditions. It is likely that the Census data did not capture many of the seasonal worker households.

Table 7
Household Rent Payments

Rent as a % of Household Income	Tahoe Basin in Placer Co.	Percent of Total
less than 15%	322	21%
15 to 19.9%	181	12%
20 to 24.9 %	148	10%
25 to 29.9%	186	12%
30 to 34.9%	166	11%
35% or more	539	35%
Total	1,542	100%

"rent"

Source: State Dept. of Housing and Community Development and U.S. Census 2000

[1] Gross rent as a percentage of household income in 1999 for renter households.

As mentioned in Chapter III, shortages of workforce housing have severely impacted Kings Beach. **Table 8** shows the high number of rent-burdened and overcrowded households in Kings Beach as defined by Census Designated Place boundaries. According to stakeholder, Kings Beach is a microcosm of the consequences of housing market inequity in the area and there are other North Shore neighborhoods, including Tahoe Vista, experiencing similar problems. Quantifying the number of units for service workers supportable by the market would require a more detailed housing needs assessment. The data above, however, suggest that a minimum of 150 units of rent-restricted rental housing would be needed in Kings Beach to relieve overcrowding and reduce overall rent burden.

Table 8
Affordable Housing Need Estimate

Item	Kings Beach		Tahoe City	
	Units	% of Households	Units	% of Households
Total Occupied Housing Units	1,411	100%	789	100%
Rent-burdened Households (2000)	291	21%	80	10%
Overcrowded (2000)				
Renter	276	20%	10	1%
Owner	73	5%	2	0%

"housing_need"

Source: 2000 Census

[1] Overcrowding defined as more having more than 1 person per room. 186 units in Kings Beach reported having more than 2 persons per room.

For purposes of this report, EPS compiled data on wages offered by various employers as well as current rent and housing price information. **Table 8** is provided for illustration purposes. **Appendix B** contains additional wage, home price, and rent data.

To afford the entry level home assumed in **Table 8** would require an income of \$125,000.¹¹ The median income for a family of four in the Truckee/North Lake Tahoe region was \$64,000. The median home price for 2004 in the same area was \$647,900.¹²

The pristine nature and fragility of the environment in North Shore Lake Tahoe require tight controls on development. The environmental constraints and regulatory environment combine to make increasing the supply of housing a significant challenge. In this environment, increasing the supply of market rate housing also is not likely to impact the cost burden as workers must compete with investors and vacation home purchasers.

Housing affordability pressures are particularly visible in Kings Beach where the lack of current decent housing supply available for low wage workers appears to have provided the opportunity for homeowners to rent their units to workers willing to live in substandard and overcrowded conditions (see **Table 9**).

¹¹ Assumes 35 percent of income available for housing payment, 6.8 percent interest rate, 30-year fixed loan, 5 percent downpayment, and no homeowners' association dues.

¹² "Workforce Housing Association of Truckee Tahoe" flyer, May 2006.

Table 9
Kings Beach and Tahoe City Market Opportunities and Constraints
Housing Affordability by Position Type

Worker	Annualized Wage [1]	Affordable Monthly Rent [2]		Market Monthly Rent [3]	Affordable Purchase Price [4]		Market Purchase Price [5]
		1 Earner	2 Earners		1 Earner	2 Earners	
Ski Resort Food Service Worker	\$17,160	\$429	\$858	\$1,500	\$60,000	\$120,000	\$490,000
Lifeguard	\$20,800	\$520	\$1,040	\$1,500	\$75,100	\$150,200	\$490,000
Front Desk Receptionist	\$29,120	\$728	\$1,456	\$1,500	\$107,600	\$215,200	\$490,000
Teacher (entry-level)	\$35,000	\$875	\$1,750	\$1,500	\$131,200	\$262,400	\$490,000
Civil Engineer (Public Utility District)	\$45,000	\$1,125	\$2,250	\$1,500	\$171,600	\$343,200	\$490,000
Firefighter (entry-level)	\$47,000	\$1,175	\$2,350	\$1,500	\$178,300	\$356,600	\$490,000
Senior Accountant	\$80,000	\$2,000	\$4,000	\$1,500	\$313,500	\$627,000	\$490,000

"housing_gap"

Source: EPS

[1] Assumes 40-hour work weeks year round.

[2] Assumes 30% of monthly income available for rental payments. Does not include a utility allowance.

[3] Advertised monthly rent for "1 bedroom, 1 bathroom" unit in Carnelian Bay.

[4] Assumes 35 percent of income available for housing costs. Assumes 6.8% interest rate, 30-year term, 5% down payment.

[5] Median asking price of two-bedroom single-family home in Kings Beach, May 2006.

Challenges to housing affordability impact a broad spectrum of the income sector. Providing housing for a family of four with an income over \$45,000 (or 80 percent of area median) and under \$130,000 is particularly difficult in the North Shore because of limited allocations of units provided by the Tahoe Regional Planning Agency (TRPA). Under TRPA rules, housing units for families making above 80 percent of area median are treated as “market rate” and must compete with all other market rate housing units for TRPA entitlements setting up an environment of competition between workforce housing advocates and profit-oriented developers. Using market-based assumptions of a 6.8 percent interest rate and five percent down payment, a family earning \$45,000 would be able to afford a home priced at approximately \$170,000. It is very difficult if not impossible for market rate developers to profitably deliver such a product. To provide this level of affordability in a condominium-style unit would require homeowners’ association dues that would further reduce the price a household could afford to pay.

Government programs and nonprofit development organizations can provide some relief to the housing burden by the development of subsidized housing for low and more typically very low income households. Housing affordable to households earning below 80 percent of County median need not compete with market rate housing for TRPA unit allocations. However, housing for such income groups requires a substantial amount of public subsidy. The rural nature of unincorporated Placer County means that it does not receive federal entitlement funds through the Community Development Block Grant Program or the HOME Investment Partnerships Program. The County’s resources for subsidizing affordable housing for low and very low income households are limited to locally collected resources such as Redevelopment Agency funds and housing trust funds. Competitive resources are available through the State. However, the County’s low overall County poverty rate makes it difficult to put together a competitive application.¹³

As an indicator that the region is unable to accommodate a middle class workforce, a concern voiced by several stakeholders, is the decrease in school enrollment facing the local school district (see more below). These data adds credibility to the comments by stakeholders that the region is losing its families because of the high cost of living relative to the wage base. **Table 10** shows declining enrollment both districtwide and in the North Shore community schools while the State as a whole saw slight enrollment increases. The data indicates that enrollment is decreasing at a faster rate in other parts of the School District territory; however, this is slightly skewed by closure of some schools within this period and transportation of the displaced students to existing schools.

¹³ Interview with local affordable housing development specialist.

Table 10
Kings Beach and Tahoe City Market Opportunities and Constraints
K-12 Public School Enrollment in Tahoe Truckee Unified School District

Grade	Enrollment					Total Change	Percent Change
	2001-02	2002-03	2003-04	2004-05	2005-06		
Total Enrollment	5,570	5,342	4,589	4,503	4,304	(1,266)	-23%
North Shore Schools							
North Tahoe High	527	524	514	488	449	(78)	-15%
North Tahoe Middle	440	421	398	368	335	(105)	-24%
Tahoe Lake Elementary	193	174	281	245	281	88	46%
Kings Beach Elementary	472	465	446	423	403	(69)	-15%
Total North Shore Enrollment	1,632	1,584	1,639	1,524	1,468	(164)	-10%
State of California	6,050,895	6,147,375	6,244,732	6,298,774	6,322,098	271,203	4%

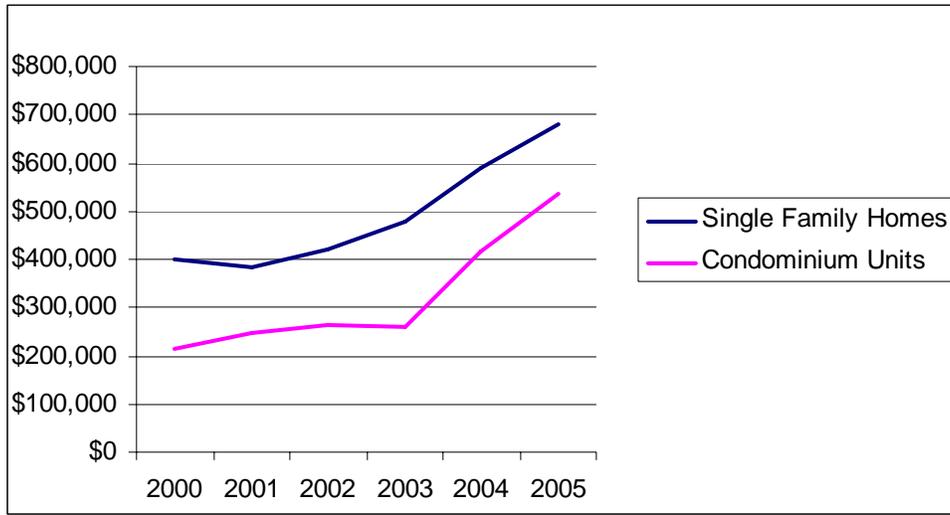
"enrollment"

Source: California Department of Education, Educational Demographics Unit.

Market Rate Housing

As **Figure 1** demonstrates, the median price of single-family and of condominium units in the larger market has increased substantially between 2000 and 2005 with dramatic increases of approximately \$100,000 per year beginning in 2003.

Figure 1
Median Home Prices—North and West Lake Tahoe Area 2000–2005



Source: Century 21 Tahoe Sierra Real Estate

Table 11 provides a sample of asking prices for residential real estate in Kings Beach and Tahoe City. Residential real estate is priced at approximately \$460 per square foot. The rapid escalation reflects bidding by high income second-homeowners from the Bay Area and elsewhere making it difficult for locals to compete, contributing to the “collapse of the middle-class” discussed throughout this report.

Overall, the demand for new market rate, luxury housing is greater than the environmentally sensitive region can supply, requiring continuation of strong but appropriate regulations to protect Lake quality. Development proposals in the less sensitive but still carefully regulated Martis Valley provide mere hint of the level of development that would occur in this sector in the Tahoe region.

COMMUNITY SERVICES

The public sector is struggling to continue to provide an expected high level of service because of several key issues. Some of the prominent community service providers were interviewed, and their comments are presented below. Recurring themes for service providers include these:

Table 11
Kings Beach and Tahoe City Market Opportunities and Constraints
Residential Listings Kings Beach and Tahoe City

Item	Bedrooms	Attached	Building Size (Sq. Ft.)	Asking Price	Price per Building Sq. Ft.
Kings Beach					
1001 Commonwealth Dr.	1	Yes	979	\$405,000	\$413.69
535 Bear St.	2	No	964	\$385,000	\$399.38
8664 West Trout Ave.	2	No	816	\$475,000	\$582.11
8440 Rainbow Ave.	2	No	811	\$509,000	\$627.62
8849 Brook Ave.	2	No	1,463	\$519,000	\$354.75
8633 Stealhead Ave.	2	No	1,120	\$535,000	\$477.68
620 Midiron Ave.	2	No	900	\$625,000	\$694.44
8720 Rainbow Ave.	3	Yes	1,650	\$619,000	\$375.15
476 Fox St.	3	No	1,578	\$735,000	\$465.78
705 Beaver St.	3	No	1,655	\$779,900	\$471.24
1370 Commonwealth Dr.	3	No	1,930	\$809,000	\$419.17
8676 Trout St.	3	No	1,950	\$895,000	\$458.97
428 Beaver St.	3	No	2,091	\$1,200,000	\$573.89
Median				\$619,000	\$465.78
Tahoe City					
725 Granlibakken Rd.	1	Yes	792	\$360,000	\$454.55
3115 N. Lake Blvd.	2	Yes	780	\$349,900	\$448.59
3101 Lake Forest Rd.	2	Yes	1,408	\$549,000	\$389.91
1190 Heights Lane	2	No	1,382	\$619,000	\$447.90
695 Snowshoe Rd.	2	No	1,392	\$679,000	\$487.79
1860 Tahoe Park Dr.	2	No	1,152	\$799,000	\$693.58
3200 N. Lake Blvd.	3	Yes	1,320	\$485,000	\$367.42
3040 Meadowbrook Dr.	3	No	1,104	\$724,000	\$655.80
420 Crynos Way	3	No	2,256	\$765,000	\$339.10
300 W. Lake Blvd.	3	Yes	1,566	\$799,500	\$510.54
2686 Shady Lane	3	No	1,443	\$825,500	\$572.07
1425 W. Lake Blvd.	3	No	1,928	\$899,000	\$466.29
355 Tahoe Woods Blvd.	3	No	2,287	\$995,000	\$435.07
138 Roundridge Rd.	3	No	1,972	\$1,175,000	\$595.84
Median				\$744,500	\$460.42

"res_listings"

Source: Realtor.com, June 2006

- Employee recruitment problems because of high cost of living, including affordable housing and health care.
- Employee retention of the lower-paying jobs, particularly custodial, housekeeping, and similar occupations.
- Potential difficulties managing emergency situations with many of the employees not residing in the area
- New initiatives to address these issues such as sign-on bonuses, providing housing for their employees (particularly seasonal employees), and creating a plan to replace retiring workers.

Tahoe Truckee Unified School District

The School District mentioned several factors affecting its ability to provide quality service to its local residents:

- Lack of affordable housing. The School District has recently had difficulty in recruiting for three middle-management positions and one accounting position because the applicants with the right qualifications have found that they cannot afford to purchase a home in the area.
- Cost of medical insurance. Employees have to pay \$140–150 per month for their coverage because of lack of choice of provider networks in Truckee.
- High turnover of lower income staff. The custodial and maintenance staff in particular has high turnover rates because these employees are constantly looking for which agency/service provider in the area is paying the most.
- Employees, particularly low income employees, often commute to work and may face delays during the winter period getting to work.
- Difficulty responding to emergency situations because of the above.
- Difficulty attracting part-time and substitute teachers.
- High turnover requiring the District to expend more resources on training.
- Given the resources available, the costs associated with the above issues, as well as the higher costs of running facilities in a mountainous location (higher wear and tear costs to buildings, higher medical insurance costs, snow removal costs and so forth), mean the School District is unable to offer competitive salaries.

As mentioned above, school enrollment has dropped from 5,570 students in school year 2001–02 to 4,304 in school year 2005–06. School funding is largely based on enrollment. The School District has been struggling for funds and having to provide cost-cutting measures, including the closure and relocation of some schools. As of last year, funding

levels should be improving since the District now qualifies as a “Basic Aid” District, which occurs when revenue from the assessed value in the District area exceeds the amount that the School District would receive from the State on a property tax plus per student allowance basis.

North Tahoe Fire Protection District

The attraction to the firefighting profession remains strong and the Fire District attributes this in part to their working schedule. The Fire District provides for a “48 hours on/96 hours off” schedule that caters to the large number of commuter firefighters that it has. One problem the Fire District does encounter with this arrangement is that historically, when firefighters were off-duty, they were still in the vicinity and able to respond quickly to emergency situations if called in. Now the Fire District has to rely on only those employees on duty. Tahoe City PUD noted a similar problem with no longer having resident crews, particularly as the older employees retire. In particular, part-time firefighters are more difficult to attract for the peak seasons (which are both summer and winter). During these periods, the population in the area may be upwards of three times that of the average for the year. Wintertime can be very busy with ambulance calls at the ski areas.

Two of the six fire stations (one at Alpine Meadows and one at Carnelian Bay) have been converted to residences to house the part-time firefighters. Free rent is provided as part of the compensation package.

Tahoe Forest Hospital

Tahoe Forest is the principal health care provider for the North Shore communities and is also the largest employer in the area with over 500 full-time employees. In-patient statistics indicate that 70 percent of the resident population uses Tahoe Forest Hospital services, with the remainder going to Reno, Sacramento, or Carson City.¹⁴ Certain services are not provided by the Hospital, such as cardiology. More complex treatment patients are sent to Reno or Sacramento. Tahoe Forest’s main facility is the hospital in Truckee. It also has an Incline Village Community Hospital, and clinics at Tahoe City and Sugar Bowl ski resort. The clinic at Sugar Bowl complements the hospital’s new Center for Health and Sports Performance. The Tahoe City Outpatient clinic provides physical therapy, occupational therapy, hand therapy, and speech and language pathology.

Tahoe Forest has a less significant employee retention problem but does have trouble recruiting new employees. The hospital is currently in the process of setting up a bonus program for the housekeeping and food service employees which is anticipated to cost

¹⁴ Source: Tahoe Forest Hospital staff.

approximately \$27,000 in its first year. A sign-on bonus of \$1,000 is being offered, as well as a one-year retention bonus of \$500. In addition, someone who refers a friend is eligible for a \$500 bonus if the new employee stays for six months.

IV. ECONOMIC VITALITY

This chapter describes the factors specifically impacting the vitality in the commercial centers of Tahoe City and Kings Beach. Having established the importance of leisure to the region as well as the structural challenges posed by the region's basis as a tourist destination, this chapter evaluates how these communities are positioned to operate within and mitigate the economic influences that are present in the region. In particular, this chapter focuses on issues impacting the retail and visitor accommodations sectors of the economy.

RETAIL

It is not just the housing market that is affected by the high value of land in the Tahoe Basin. Retailers in Tahoe City and Kings Beach are similarly impacted. High land values can lead to high rents which may put some retailers in a precarious position, and reduce the diversity of goods and services offered.

Key findings of "Investment Plan"¹⁵ included these:

- "In general, the North Tahoe built environment substantially detracts from the visitor experience ... traffic congestion, parking shortages, minimal transit services, poor signage and sporadic pedestrian/bicycle facilities in the area substantially degrade the quality of visitor product and experience provided in the North Tahoe area."
- "North Tahoe falls far behind the majority of peer resort communities in the level of facilities and services that are provided."

The Investment Plan also cited the importance of great shopping and dining as being among the most popular activities of domestic travelers. When the business community was asked to list services most lacking in their area, the top responses were these:¹⁶

- Retail clothing for locals;
- Affordable restaurants;
- Business center/mail center;
- Organic/health food store/restaurant;
- Book store;

¹⁵ "North Lake Tahoe Tourism and Community Investment Plan," Final Draft June 8, 2004 p. 59.

¹⁶ NTBA Business Survey results, 2006.

- Dry cleaners; and
- Shoe store.

Retail Sales

Table 12 below provides retail sales tax data for the Kings Beach and Tahoe City areas contrasted to the remainder of unincorporated Placer County. Adjusted for inflation, taxable sales grew by over 25 percent from 1998 to 2004 in unincorporated Placer County. This growth stands in contrast to the lack of growth experienced in Kings Beach and Tahoe City.

Tahoe City experienced a slight increase overall but as **Figure 2** illustrates, is in the process of rebounding from post-“9-11” declines in tourism. The overall picture appears to be that Tahoe City is in stasis, with rather flat retail performance. Kings Beach has experienced an overall decline in retail sales from 1998 through 2004; a decline which does not appear to be correcting for post-“9-11” (see **Figure 3**).

Retail demand/supply data for the market area census tracts presented in **Map 3**, show a market area that is approaching equilibrium. **Table 13** presents supply and demand data by category with demand being based on the spending power of *residents only*. Supply (sales) is a function of the spending power of *visitors as well as residents*. When estimates of demand created by visitor spending on the retail sector overall are included, the result approximates an economy in which supply is meeting demand. Pending improved visitation associated with improved regional economic performance as well as development of at least some affordable and workforce housing, ongoing demand for retail development is likely to be very modest.

Commercial Lease Rates and Sales Prices

Table 14 summarizes recent rental rates for the Tahoe City and Kings Beach communities as well as regional competition. Numbers shown are dollars per square foot per month. These numbers reflect base rent plus Common Area Maintenance (CAM) costs.

Data show that for the retail market in particular, there is a wide range of rental rates for retail space. The range of rates in a market area (such as Kings Beach or Truckee) is because of varying desirability of locations as well as condition of the building, length of lease, and other considerations. The table also reflects the ability of the resorts to demand higher retail rates. Similar rates are demanded along Truckee’s historic downtown “Commercial Row.”

Table 12
Kings Beach and Tahoe City Market Opportunities and Constraints
Retail Sales Tax Growth Pattern 1998 - 2005 [1]

Geographic Area	1998		1999		2000		2001		2002		2003		2004		1998 - 2004
	Value	% Change	Value	% Change	Value	% Change	Value	% Change	Value	% Change	Value	% Change	Value	% Change	% Change
Tahoe City Project Area	\$1,140,658	NA	\$1,269,234	11.27%	\$1,278,667	0.74%	\$1,222,343	-4.40%	\$1,155,908	-5.44%	\$1,079,661	-6.60%	\$1,163,642	7.78%	2.01%
Kings Beach Project Area	\$422,609	NA	\$468,051	10.75%	\$489,838	4.65%	\$459,604	-6.17%	\$428,846	-6.69%	\$385,756	-10.05%	\$363,475	-5.78%	-13.99%
Remainder of Uninc. County	\$7,835,665	NA	\$8,662,159	10.55%	\$9,308,132	7.46%	\$10,012,482	7.57%	\$9,892,308	-1.20%	\$10,324,464	4.37%	\$10,255,763	-0.67%	30.89%
Total Uninc. Placer County	\$9,398,933	NA	\$10,399,444	10.64%	\$11,076,636	6.51%	\$11,694,429	5.58%	\$11,477,062	-1.86%	\$11,789,881	2.73%	\$11,782,880	-0.06%	25.36%

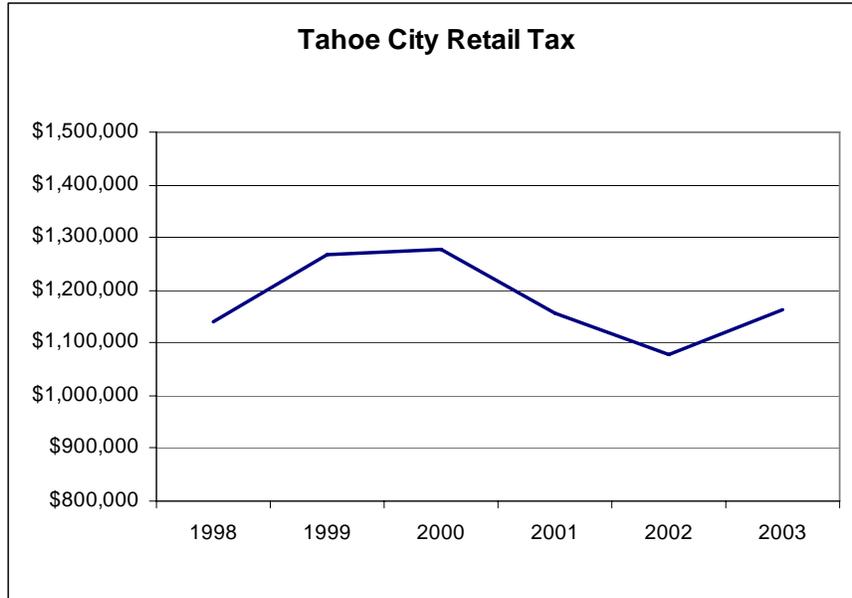
"retail"

Source: Placer County Redevelopment Agency, EPS

[1] All figures in 2005 dollars.

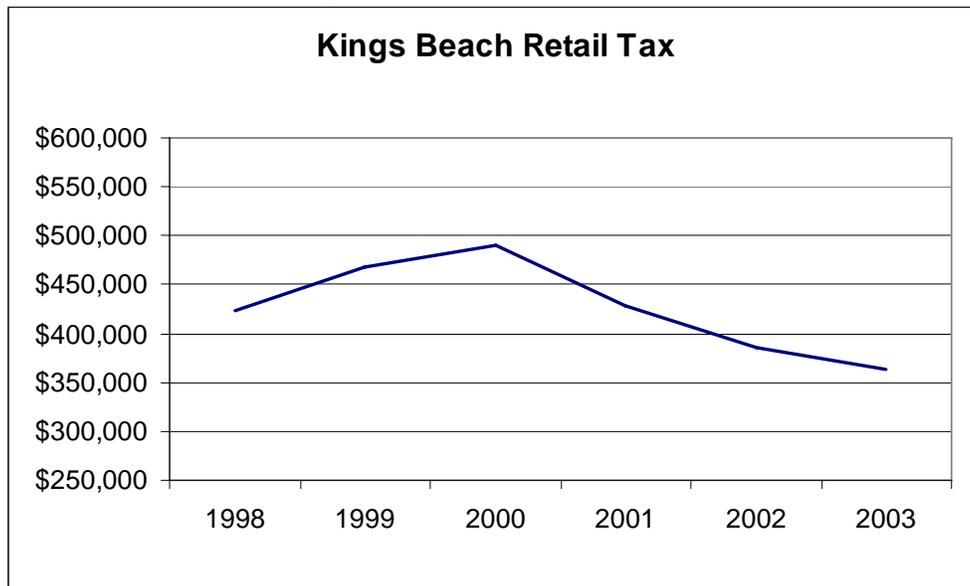
[2] Includes all unincorporated areas in the county.

Figure 2
Retail Sales Pattern—Tahoe City



Source: Placer County Redevelopment Agency, EPS

Figure 3
Retail Sales Pattern—Kings Beach



Source: Placer County Redevelopment Agency, EPS

Table 13
Kings Beach and Tahoe City Market Opportunities and Constraints
North Shore Retail Data

Store Category	Demand	Supply	Opportunity Gap/(Surplus)
Motor Vehicle and Parts Dealers	\$50,786,000	\$32,502,000	\$18,284,000
Furniture and Home Furnishings Stores	\$5,584,000	\$17,574,000	(\$11,990,000)
Electronics and Appliance Stores	\$5,543,000	\$6,915,000	(\$1,372,000)
Building Material, Garden Equip Stores	\$19,508,000	\$66,511,000	(\$47,003,000)
Food and Beverage Stores	\$23,521,000	\$56,973,000	(\$33,452,000)
Health and Personal Care Stores	\$8,242,000	\$10,563,000	(\$2,321,000)
Gasoline Stations	\$18,289,000	\$23,959,000	(\$5,669,000)
Clothing and Clothing Accessories Stores	\$10,209,000	\$7,776,000	\$2,433,000
Sporting Goods, Hobby, Book, Music Stores	\$4,300,000	\$43,703,000	(\$39,404,000)
General Merchandise Stores	\$25,606,000	\$12,674,000	\$12,932,000
Miscellaneous Store Retailers	\$5,727,000	\$12,011,000	(\$6,284,000)
Foodservice and Drinking Places	\$21,445,000	\$43,189,000	(\$21,744,000)
Subtotal Retail Sales Incl Eating and Drinking Places [1]	\$198,759,000	\$334,348,000	(\$135,588,000)

Impact of Visitors on Retail Demand [2]	\$131,978,500		
Total Retail Sales Including Eating and Drinking Places	\$330,737,500	\$334,348,000	(\$3,610,500)

"claritas"

Source: Claritas, Dean Runyan Associates, EPS

[1] Demand for consumer expenditures includes demand created by resident households in the market area only.

[2] Estimation based on the methodology described below. Consumer expenditure data based on "The Economic Significance of Travel to the North Lake Tahoe Area," December 2003, prepared by Dean Runyan Associates.

Table 14
North Lake Tahoe Commercial Lease Rates

Area	Professional/ Office	Retail [1]	Industrial
Kings Beach	\$1.50 - \$2.00	\$1.50 - \$3.00	
Tahoe City [2]	\$1.85 - \$2.25	\$2.80 - \$3.00	
Truckee			\$1.35
Portola & Verdi			\$0.85
Northstar (The Village)		\$4.58	
Squaw (The Village)		\$4.50 [3]	

"lease"

Source: Interviews with local leasing agents.

[1] Includes base rent plus common area maintenance costs.

[2] Tahoe City rents vary by location. The Boatworks Mall and North Lake Boulevard frontage sites are generally within the range shown above. Sites on the West Shore and Cobblestone may be slightly lower.

[3] The Village at Squaw Valley's retail rents also contain certain provisions such as a percentage of gross costs above a certain threshold and a percentage of business if tenant sells.

Professional/office space does not have such a large range of rates, with the chief determinant of actual rate typically being the condition of the building and accessibility to Internet and other technology needs. Also of interest in **Table 13** is the rate for industrial space. Truckee's current listings of \$1.35 compare to Verdi's \$0.85 per square foot. Verdi is a community located just west of Reno, about a half-hour drive from Truckee. Although no actual data is shown, it is likely that rents along the North Shore would be at least as high as in Truckee. Given this price differential, only industries capable of high volume or those that own their space will be able to continue to operate in the area.

Table 15 shows current listings for commercial properties and land in Kings Beach and Tahoe City. From the data it is evident that a well-located commercial building is priced in the \$400 to \$500 per square foot range. At that price, commercial rents would need to be approximately \$3.50 per square foot, exceeding current rates.

Table 15
Kings Beach and Tahoe City Market Opportunities and Constraints
Commercial Listings Kings Beach and Tahoe City

Item	Parcel Size (acres)	Building Size (Sq. Ft.)	Asking Price	Price per Building Sq. Ft.	Price per Land Sq. Ft.	Motel Rooms	Price per Motel Rm	Notes
Kings Beach Land								
8445 Speckled Avenue	0.14	NA	\$199,999	NA	\$33.33	NA	NA	Commercial zoning; TRPA will not rezone. No CFA available.
8495 Speckled Avenue	0.26	NA	\$389,000	NA	\$34.58	NA	NA	
500 National Avenue	2.18	NA	\$1,750,000	NA	\$18.43	NA	NA	Former concrete batch plant site in the Tahoe Vista Community Plan Area.
Kings Beach Buildings								
8493 North Lake Boulevard	0.26	2,266	\$1,200,000	\$529.57	NA	NA	NA	Includes 3-bedroom apartment upstairs and 28 common-area parking spaces.
8755 North Lake Boulevard	0.40	5,250	\$975,000	\$185.71	NA	NA	NA	Commercial lot with 5,250 approved commercial sq. ft. with 21 parking spaces.
5035 North Lake Boulevard	0.26	1,787	\$895,000	\$500.84	NA	NA	NA	
8931 North Lake Boulevard	0.22	NA	\$995,000	NA	NA	8	\$124,375	
8700 North Lake Boulevard	0.50	1,880	\$745,000	\$396.28	NA	NA	NA	Newly redeveloped. Also has approvals for 980 sq. ft. addition.
279 Bear Street	0.26	NA	\$719,000	NA	NA	14	\$51,357	Located two blocks from shops and restaurants of Kings Beach.
Tahoe City Buildings								
1355 North Lake Boulevard	0.23	1,700	\$679,000	\$399.41	NA	NA	NA	
1255 North Lake Boulevard	0.26	2,817	\$1,150,000	\$408.24	NA	NA	NA	
1780 West Lake Boulevard	0.25	4,251	\$1,295,000	\$304.63	NA	NA	NA	Current grocery store.
319 West Lake Boulevard	0.70	1,204	\$1,750,000	\$1,453.49	NA	NA	NA	

Source: A. Plescia and Company

"comm_listings"

Commercial land is selling for \$20 to \$35 per square foot. In a normally functioning market, entitled land would typically sell for at least 20 percent of total finished development value. The fact that these prices represent values closer to 10 percent of the value of developed land is an indicator of the added risk of taking land through the development process. It appears land sellers must discount prices based on buyer awareness of the time and complexity of the entitlement process.

Retail Competitors

Resorts can offer attractive accommodations, recreational amenities, and retail opportunities for visitors in one central location. They have the added advantage of being centrally owned and operated which provides the owner the opportunity to control the retail mix. These resorts compete for visitor-serving retail market share with Kings Beach and Tahoe City.

The Village at Northstar provides an example of a resort employing a specific strategy to provide a dynamic retail environment. The Village at Northstar will have a total of 100,000 square feet retail space. Phase 1 comprises 60,000 square feet, of which 80 percent is currently occupied, and Phase 2, which is still under construction, comprises 40,000 square feet.

Northstar knows that 80 percent of its visitors are from the Bay Area and that they are educated, experienced clientele looking for interactive venues that hold a market niche. Northstar's strategy, based on their consultant recommendations, is to provide the following types of retail venues:

- 26 percent retail unique specialty;
- 12 percent brand name;
- 35 percent restaurant and bistro;
- 15 percent entertainment and recreation; and
- 12 percent grocery and general convenience.

Because the resort has one owner, Northstar can control its retail mix in a way that would be virtually impossible in a commercial district with multiple owners. The owner manages all the space that is being rented out rather than having a separate management company manage their retail space and is very selective about their tenants. The base rent, regardless of location in the village, is \$40.00 per square foot per year (\$3.33 per month). On top of that is CAM fees of \$15.00 per year, making a total of approximately \$55.00 per year, or \$4.58 per square foot per month.

Another competitor, The Village at Squaw has a total of 61,748 retail square feet. The tenant mix includes three full service restaurants, an Irish pub, a Starbucks, juice bar, Ben and Jerry's, a convenience store, high-end pet store, art gallery, clothing stores, and a hardware/ mountain furniture store.

VISITOR SPENDING IMPACT

The retail sector of the North Shore is clearly impacted by spending undertaken by visitors. With regulations designed to keep development in check, the inventory of housing and accommodations units is constricted. Each unit inhabited by visitors or residents supports the local retail sector through the spending generated by those individuals. **Table 16** presents data from the North Shore which demonstrates the difference in local spending among the various types of visitor accommodations. A hotel room can generate twelve times the amount of spending a vacation home can generate.

Table 16
North Lake Tahoe Annual Spending by Accommodation Type

Accommodation Type [1]	Inventory	Inventory as % of Total	Visitor Spending	Visitor Spending per Unit
Hotel/Motel/Bed and Breakfast	1,400	12.5%	\$113,000,000	\$80,714
Rented Condo/Home	1,500	13.4%	\$108,000,000	\$72,000
Own Vacation Home	7,825	69.7%	\$53,000,000	\$6,773
Campground	500	4.5%	\$5,000,000	\$10,000
Total/Average	11,225	100.0%	\$279,000,000	\$24,855

"visitor_days"

Source: Dean Runyan Associates, EPS

[1] Does not include unpaid accommodations.

Unfortunately for the retail economy of the North Shore, when compared to other resort locations, the North Shore has a higher percentage of vacation units as a percentage of total housing units,¹⁷ as shown in **Table 17**. Vacation homes have a lower occupancy rate and can be perceived to be a drain on the local economy, especially in a region where development opportunities are severely limited and dwelling units are a precious resource. To maximize retail support (and other community benefits) from new lodging, it will be necessary to shift the emphasis to hotel/condo products with higher

¹⁷ Dean Runyan,(footnote 3) p. 11

year-round occupancies. Fortunately, as discussed elsewhere in this report, this need coincides with industry trends and potential urban form improvement.

Table 17
Vacation Homes as a Percentage of Total Housing Units, 2000

Area	Vacation Homes as a Percentage of Total Homes
North Lake Tahoe Area	55%
Truckee Area	44%
Mammoth Lake, CA	49%
Park City, UT	35%
Sun Valley, ID	31%
Aspen, CO	27%
Vail, CO	27%

"vacation_homes"

Source: Dean Runyan and Associates.

KINGS BEACH

Although the retail vacancy rate in Kings Beach is low (under 5 percent), retail sales tax data show that the retail sector in Kings Beach has seen significant declines from 1998 to 2004. Although property owners generally seek to raise rents, rates have decreased over the past year, because of the condition of buildings, size of space (small), parking difficulties, and possibly desirability of the locations. Rents vary widely depending on location, size, and condition of the building.

Existing business activity is dispersed resulting in a lack of commercial core to create synergy among businesses. Commercial spaces are small and oftentimes on irregular shaped lots, with parking challenges for customers. Abandoned lots and dilapidated commercial structures abound and pedestrian shoppers find a hazardous environment for walking.

The commercial district is in need of reinvestment and revitalization to selectively replace older, poorly located retail with modern, functional space (retail and other) with

adequate parking. To the extent retail is retained, it should be clustered at preferred locations to take advantage of synergies between uses and shared parking.

The purchasing power of local residents is limited, and is not expected to grow significantly. Only affordable housing catering to low income households has the ability to contribute to a net increase in residential units, and required subsidies given the cost of land and vertical improvements will constrain the amount of such development that will occur. Increased occupancy of second homes may occur over time, but cannot be relied on to provide a measurable near-term demand stimulus. These local demographic constraints imply a need to attract tourists to support the retail economy in Kings Beach.

To attract additional visitor spending, introduction of improved accommodations needs to be paired with an aggressive strategy to attract regional day-trippers. However, successful capture of this spending potential, even if the required product and marketing strategy are put in place, requires investor and developer support to provide interesting, unique and fun venues that build on lake proximity and create a distinct character. The marginal housing stock, overcrowding and the appearance of blight in that community needs to be addressed as part of an overall strategy to reduce real and perceived risk.

Although there have been several plans for new commercial use development in Kings Beach in recent years, none have materialized. At this time, the only commercial listings are two motels and the North Shore business park, which is an undeveloped site with approved plans for 5,250 square feet of commercial space. Kings Beach has been affected by speculation of future uses of motels, or perhaps more importantly, the TAUs associated with them. At least one motel was leveled in the past 3 years, and two are currently for sale.

TAHOE CITY

After a decline in sales tax in 2001 through 2003, Tahoe City saw an increase of 8 percent in retail sales in 2004. A tour of Tahoe City reveals a healthy retail center in need of some modernization and increased pedestrian-friendly features. The majority of the Tahoe City retail district is in good repair and attractive with the exception of the Henrickson properties and some individual buildings on the northeast corner of the "Y." These substandard properties are in an excellent location for catalyst redevelopment efforts. Relocation or modification of the fire station would provide for lake view opportunities for new development.

The vacancy rate for all commercial leasable space in Tahoe City is currently 15.2 percent, out of a total inventory of 459,409 square feet. Since 1987, the total inventory has increased 5 percent and the vacancy rate has also increased from 7.6 percent to 15.2 percent, however, if the Henrickson properties are removed from the inventory, the vacancy rate is currently 10.4 percent.

At this time, there are just two commercial buildings for sale, one primarily currently used for office space and one for retail/storage.

Under construction in Tahoe City is the Customs House which will offer 6,500 square feet of retail space and 3,800 square feet of office space. At the time of this writing, no tenants are under contract. Some interest has been reported and the owner anticipates the building will be available for occupancy by the end of summer 2006. The owner has advertised rent, exclusive of CAM, at \$4.00 per square foot per month for retail and \$3.50 per square foot for office.

Proposed new construction in Tahoe City includes a proposed Marina expansion with structured parking, but no new retail space.

ACCOMMODATIONS

HOTEL INVENTORY

Data provided by Smith Travel Research (STR) show a limited inventory of accommodations in both Tahoe City and Kings Beach. These accommodations are listed in **Table 18**.

The majority of accommodations in Kings Beach, Tahoe Vista and Tahoe City are aging, small, and only desirable for the shoestring traveler (with the exception perhaps of one or two smaller hotels that have upgraded their interiors in recent years). The quality of these accommodations is alarming. The majority of hotel/motels located around the North Shore of Lake Tahoe was built in the 1950s to 1970s and are small. With new regulations introduced with the creation of the TRPA, there was less motivation to invest in upgrade 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 hotel/motels has become marginal. Clearly, increased supply of good quality accommodations is an essential component to inject activity on the shore communities.

Table 18
Kings Beach and Tahoe City Market Opportunities and Constraints
Tahoe Region Hotel Properties, 2006

Name of Establishment	Open Date	Rooms
Kings Beach		
Crown Motel	Jun-56	71
Falcon Lodge	Jun-58	25
Tahoe Inn	Jun-65	90
Stevensons Holiday Inn	Jun-78	22
Big 7 Motel	Jun-87	22
Sun N Sand Lodge	Jun-97	26
Subtotal Kings Beach		256
Tahoe City		
Lake Of The Sky Motor Inn	--	23
Tamarack Lodge Motel	Jun-30	21
Cottage Inn @ Lake Tahoe	Jun-38	22
River Ranch Lodge	Jun-60	19
Travelodge Lake Tahoe	Jun-60	47
Pepper Tree Inn	Dec-70	51
Granlibakken Resort	Jun-75	50
Tahoe City Inn	Jun-81	33
Sunnyside Resort	Jun-07	23
Subtotal Tahoe City		289
Tahoe Vista		
Rustic Cottage Resort	Jun-25	20
Firelite Lodge	Jun-50	27
Americas Best Value Inn & Suites Tahoe	Jun-60	31
Woodvista Lodge	Jun-60	17
Tahoe Vistana Inn	Jun-62	28
Franciscan Lakeside Lodge	Jun-80	60
Mourelatos Lake Resort	Jun-93	32
Subtotal Tahoe Vista		215

"hotel"

Sources: Smith Travel Research (STR), EPS

HOTEL MARKET CONDITIONS

The hotel sector nationwide suffered heavily between 2001 and 2003 because of the 9/11 terrorist attacks, followed by the Iraq war, and continued economic instability. For the first time since 1930 to 1933, Average Daily Rate (ADR) declined over 3 consecutive years. National occupancy dropped to 59.1 percent in 2002 but stabilized in 2003.¹⁸ During 2005, the national hotel market performed at a 63.1 percent occupancy rate, a \$90.67 ADR, and \$57.34 RevPAR.¹⁹

The real estate investment brokerage company of Marcus & Millichap forecasts that the national hotel occupancy rate will rise to 64.3 percent in 2006, driven by a projected 2-percent increase in business travel and a 1.8-percent gain in leisure travel.²⁰ Since this improving room demand provides hotel operators with greater pricing power, Marcus & Millichap also projects a 6 percent increase in ADR, reaching \$95.31. February 2006 national ADR is estimated at \$93.23. With occupancy and ADR rising, RevPAR is expected to increase by 8.1 percent in 2006.²¹

According to data provided by STR, only a small percentage of the properties in the Tahoe area report their performance.²² Accordingly only ten properties in Tahoe City, Olympic Valley, and South Lake Tahoe could be selected to analyze their performance based on data from STR. These properties represent 760 rooms or about 12 percent of the market area. These properties are listed in **Table 19**.²³

Selected properties occupied rooms from 2000 through 2005 decreased at a 4.3 percent annual rate to about 299,000 rooms. The average annual room supply decreased at a 2 percent annual rate to 576,000 rooms because of the conversion of the Resort at Squaw Creek from a hotel to condominiums. This conversion in 2005 represents the loss of approximately 57,000 room-nights, or 158 rooms. Condominium owners may choose to

¹⁸ "State of the Lodging Industry;" Professional Convention Management Association 48th Annual Meeting; PricewaterhouseCoopers, LLP; January 11, 2004.

¹⁹ "Top Ten Travel and Tourism Trends 2006;" Randall Travel Marketing; 2006.

²⁰ "Hospitality Research Report;" Marcus & Millichap; spring 2006.

²¹ Gains in ADR will account for a greater contribution to the projected increase in RevPAR, whereas recent RevPAR gains have been driven primarily by occupancy improvement (Marcus & Millichap).

²² STR inventories 169 hotel properties in the Tahoe region (which includes Auburn, Rocklin, and Roseville), with a total of 8,719 rooms. Only 148 (88 percent) of these properties are still open, however, and only 34 (23 percent) of them reported their performance to STR through January 2006. The participating properties do represent 3,580 rooms or 41 percent of total rooms.

²³ This percentage figure does not include the 2,294 rooms in Auburn, Colfax, Foresthill, Georgetown, Rocklin, and Roseville.

Table 19
Selected Hotel Properties, 2006

Name of Establishment	City	Open Date	Rooms
Travelodge Lake Tahoe	Tahoe City	Jun-60	47
Rodeway Inn South Lake Tahoe	South Lake Tahoe	Jun-60	117
Howard Johnson Express South Lake Tahoe	South Lake Tahoe	Jun-61	59
Holiday Inn Express Hotel South Lake Tahoe	South Lake Tahoe	Jun-65	89
Lakeland Village	South Lake Tahoe	Jun-72	210
Days Inn South Lake Tahoe	South Lake Tahoe	Jun-75	59
Inn By The Lake	South Lake Tahoe	Jun-82	100
Quality Inn & Suites South Lake Tahoe	South Lake Tahoe	Jun-84	120
Resort @ Squaw Creek	Olympic Valley	Dec-90	365
Embassy Suites South Lake Tahoe Resort	South Lake Tahoe	Dec-91	<u>400</u>
Total Properties			1,566

"hotel2"

Sources: Smith Travel Research (STR); EPS

put their property into the rental pool, the supply of which is run as a hotel. As a result of the decline in occupied rooms, average occupancy rate decreased at a 2.4 percent annual average rate, and ADR decreased at a 1.1 percent annual rate since 2000.

In 2005, these selected properties had a 50.2 percent occupancy rate and a \$152.59 ADR as reflected in **Figure 4**. The average collective performance of these properties from 2000 through 2004 was a 51.8 percent occupancy rate and a \$155.80 ADR over the period. A 65- to 70-percent occupancy rate is considered to be a “healthy market” benchmark in the hotel industry. The performance of the selected properties, however, is representative of a seasonal vacation market.

The occupancy rate of the selected properties reached the 70 percent level during peak season, which is during the months of July and August as shown in **Figure 5**. Since 2000, however, there has been an annual decrease of between 2.5 and 4.3 percent during these months. While the occupancy rate was 76.1 percent in July 2000, it fell to 67.1 percent in July 2005. Similarly, while occupancy rate was 77.9 percent in August 2000, it fell to 62.7 percent in August 2005. This could be a reflection of the Tahoe market’s decline as a visitor destination or of visitor lodging preferences switching to timeshares or second homes,²⁴ or both, such as has happened at the Resort at Squaw Creek, and is continuing to happen with older motels along the shore of Lake Tahoe.

²⁴ A significant number of conversions of apartments to condominiums have occurred in vacation markets and may constitute a “shadow supply” of second homes (Marcus & Millichap).

Figure 4

Historical Market Performance for Selected Hotel Properties, 2000-2005

Sources: Smith Travel Research; EPS

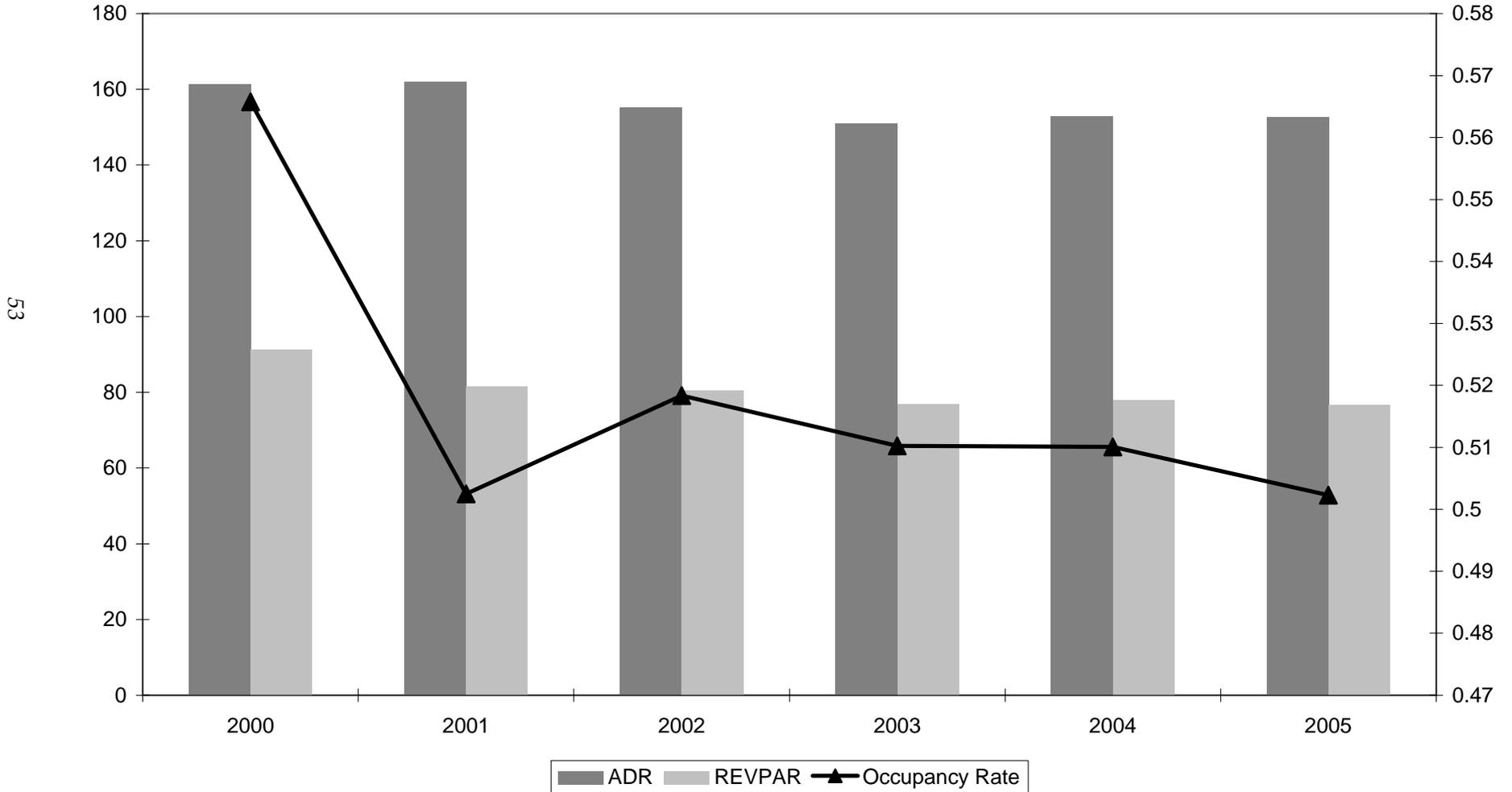
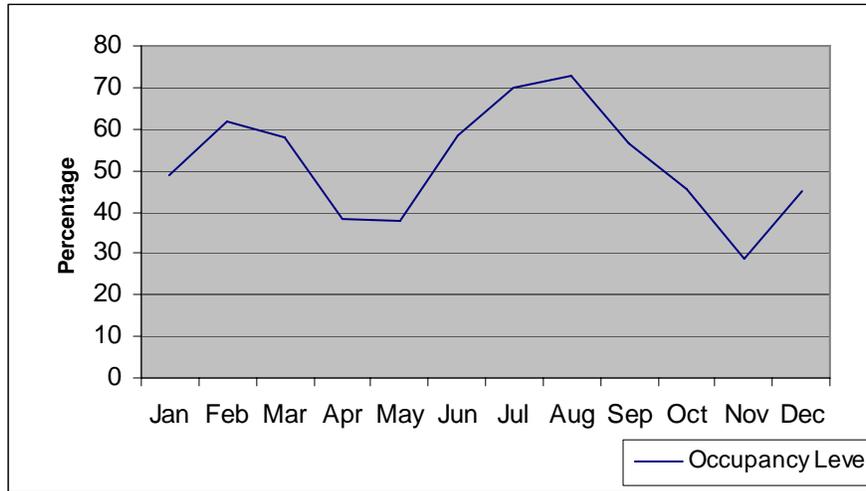


Figure 5
Average Historical Monthly Occupancy for Selected Properties, 2000–2005



Sources: Smith Travel Research (STR), EPS

Accordingly, new product introduced in Kings Beach and Tahoe City should likely avoid excessive reliance on traditional hotel products, instead delivering a mix of hotel, condo, and fractional units paired with other uses (retail and commercial) to offer investors a diversified portfolio and to create the village atmosphere necessary to compete in the region.

Tables 2 and 3 in Chapter III show hotel properties in the pipeline (i.e., approved or pending approval) in Truckee and unincorporated Placer County. The 245 hotel rooms currently in the pipeline in Placer County would result in an additional 89,425 room-nights annually.

Transient Occupancy Tax Data

Transient occupancy tax (TOT) is collected by Placer County from occupants of certain types of visitor accommodations such as hotels, motels, condo-hotels, rental homes and bed and breakfast establishments. The current tax rate is 10 percent of the room rate in the North Lake Tahoe area; therefore, areas with a substantial quantity of inexpensive hotel rooms may generate a similar level of TOT as an area with fewer more expensive hotel rooms. According to research by Nu Stats in 2004, the average length of stay by visitors along the North Shore was 6.6 nights during the summer and 5.3 nights during the winter.²⁵

²⁵ LSC Transportation Consultants, Interregional/Intraregional Transit Study, Draft, May 2006.

Table 20 presents TOT revenue data in 2005 dollars for the past 10 years. Over this period, gross revenues have increased just over \$2.2 million, or 44 percent from the base year of 1995. This story changes dramatically when looking at annual data, particularly those of the past 5 years, during which there was a loss of \$0.7 million, which represents a 14-percent decline. The only area that has continued to grow TOT revenues is Carnelian Bay. Carnelian Bay is particularly interesting as there is no formal lodging in this area such as a hotel or motel, indicating a strong vacation home rental market. According to local realtors, it seems that there has been a recent exodus of full-time residents in this area and purchases by investment income owners. The data indicate that the opposite may be occurring in Alpine Meadows.

Kings Beach TOT revenue has continued to decline since 1999, despite a 2-percent increase in the tax rate in 2002 from 8 percent to 10 percent (which was a measure taken to provide increased funding for the newly established NLTRA). Tahoe City and Tahoe Vista appeared to be on a continual decline from 2000 to 2004 but rebounded in 2005. Also of interest is the dominance of Squaw Valley contributions compared to the remainder of the region.

Figure 6 graphically depicts quarterly TOT revenue data for 2005, and illustrates the strongest performance by Tahoe City during the summer months and strong performance by Squaw Valley during the winter months.

The Sacramento Regional Research Institute (SRRI) noted in December 2005 that the largest accommodations in Placer County are located mostly in the County's North Shore surrounding communities. Of the 20 largest places in the County, the Resort at Squaw Creek, Northstar-at-Tahoe, The Village at Squaw, Granlibakken, Squaw Valley Lodge, Tahoe Inn, and Olympic Village Inn together comprised 49 percent of total County lodging rooms (1,369 of the total 2,799 beds). With the exception of Granlibakken and Tahoe Inn, these accommodations are not located in the Redevelopment Areas.

Figure 7 shows redevelopment area lodging performance over the past 36 months. Kings Beach TOT revenue picked up slightly in the first quarter of 2006. The poor performance of TOT revenues in Kings Beach is not necessarily an indication of lack of lodging demand, but could be because of the lack of supply and the quality of the stock of the existing supply. Over the past 36 months, Kings Beach experienced a 12-percent decline in TOT revenues and Tahoe City experienced a 2-percent decline.

Table 20
Kings Beach and Tahoe City Market Opportunities and Constraints
Transient Occupancy Tax Collections from the Lake Tahoe Area

Collection Area	Fiscal Year Ending											Total Change	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Over 10 Years	Over 5 Years
Total Collections	<i>All Figures in 2005 Dollars</i>												
Kings Beach	\$434,611	\$442,779	\$539,693	\$608,968	\$613,588	\$558,752	\$535,646	\$464,143	\$414,082	\$383,826	\$344,298	(\$90,313)	(\$214,454)
Tahoe Vista	\$379,511	\$391,950	\$456,957	\$543,527	\$558,948	\$580,733	\$545,354	\$501,635	\$496,515	\$483,256	\$502,933	\$123,422	(\$77,800)
Northstar	\$675,295	\$601,652	\$787,752	\$979,125	\$980,221	\$1,004,923	\$989,950	\$950,631	\$812,629	\$686,002	\$684,019	\$8,724	(\$320,904)
Carnelian Bay	\$52,724	\$50,131	\$55,754	\$57,250	\$80,456	\$101,122	\$246,916	\$310,867	\$379,531	\$460,794	\$607,903	\$555,179	\$506,781
Tahoe City	\$1,162,801	\$1,242,985	\$1,470,474	\$1,777,954	\$1,989,744	\$1,985,491	\$1,863,536	\$1,793,922	\$1,645,614	\$1,587,478	\$1,676,288	\$513,487	(\$309,203)
Alpine Meadows	\$22,650	\$22,948	\$25,355	\$31,676	\$30,674	\$34,220	\$34,504	\$31,550	\$47,082	\$20,242	\$15,336	(\$7,314)	(\$18,884)
Squaw Valley	\$2,056,000	\$1,808,630	\$2,277,780	\$2,783,965	\$3,077,663	\$3,246,694	\$2,992,010	\$2,842,236	\$2,702,419	\$2,806,852	\$3,089,743	\$1,033,743	(\$156,951)
West Shore	\$335,915	\$368,522	\$422,088	\$503,641	\$571,233	\$576,477	\$590,999	\$553,742	\$502,322	\$447,585	\$445,006	\$109,091	(\$131,471)
Total	\$5,119,507	\$4,929,597	\$6,035,853	\$7,286,108	\$7,902,527	\$8,088,412	\$7,798,915	\$7,448,726	\$7,000,194	\$6,876,035	\$7,365,526	\$2,246,019	(\$722,886)
Change in Collections													
Kings Beach		2%	22%	13%	1%	-9%	-4%	-13%	-11%	-7%	-10%	-21%	-49%
Tahoe Vista		3%	17%	19%	3%	4%	-6%	-8%	-1%	-3%	4%	33%	-21%
Northstar		-11%	31%	24%	0%	3%	-1%	-4%	-15%	-16%	0%	1%	-48%
Carnelian Bay		-5%	11%	3%	41%	26%	144%	26%	22%	21%	32%	1053%	961%
Tahoe City		7%	18%	21%	12%	0%	-6%	-4%	-8%	-4%	6%	44%	-27%
Alpine Meadows		1%	10%	25%	-3%	12%	1%	-9%	49%	-57%	-24%	-32%	-83%
Squaw Valley		-12%	26%	22%	11%	5%	-8%	-5%	-5%	4%	10%	50%	-8%
West Shore		10%	15%	19%	13%	1%	3%	-6%	-9%	-11%	-1%	32%	-39%
Total		-4%	22%	21%	8%	2%	-4%	-4%	-6%	-2%	7%	44%	-14%

"tot data"

Source: Placer County, North Lake Tahoe Resort Association, EPS

[1] Effective October 2002, the tax rate increased from 8% to 10% for these collection areas.

Figure 6
Transient Occupancy Tax

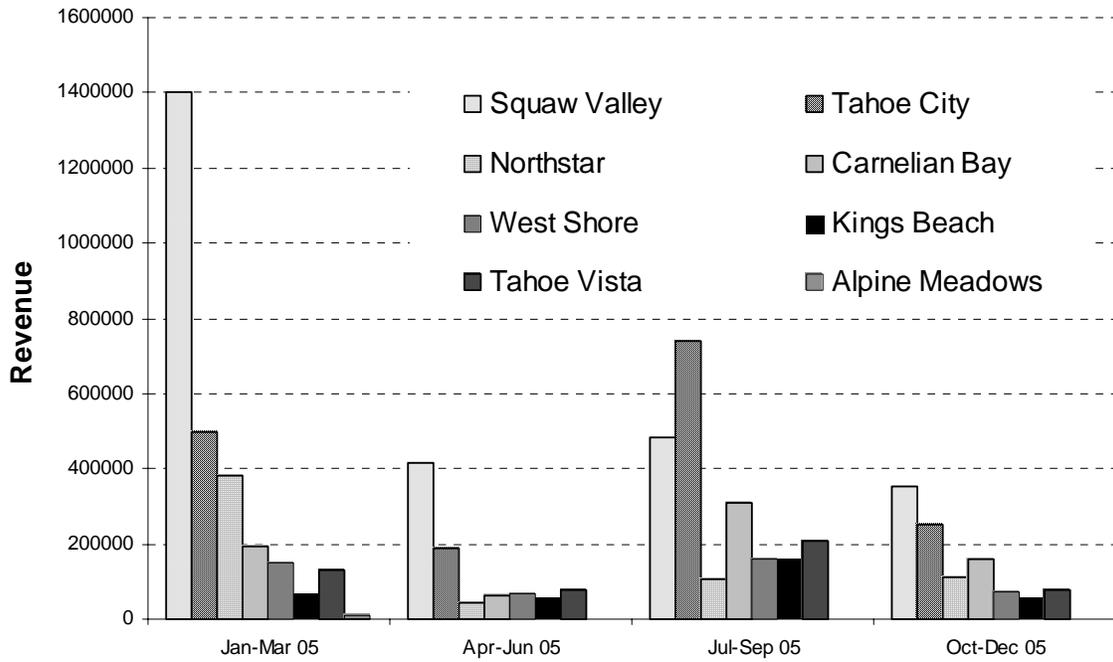


Figure 7
TOT Revenues from Redevelopment Areas

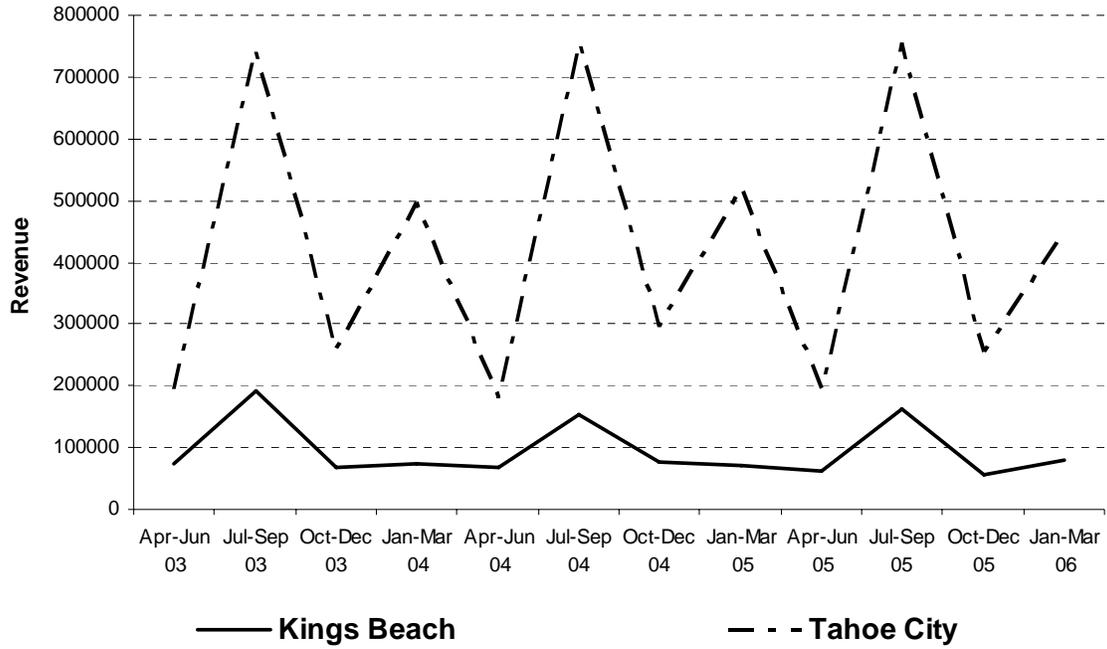


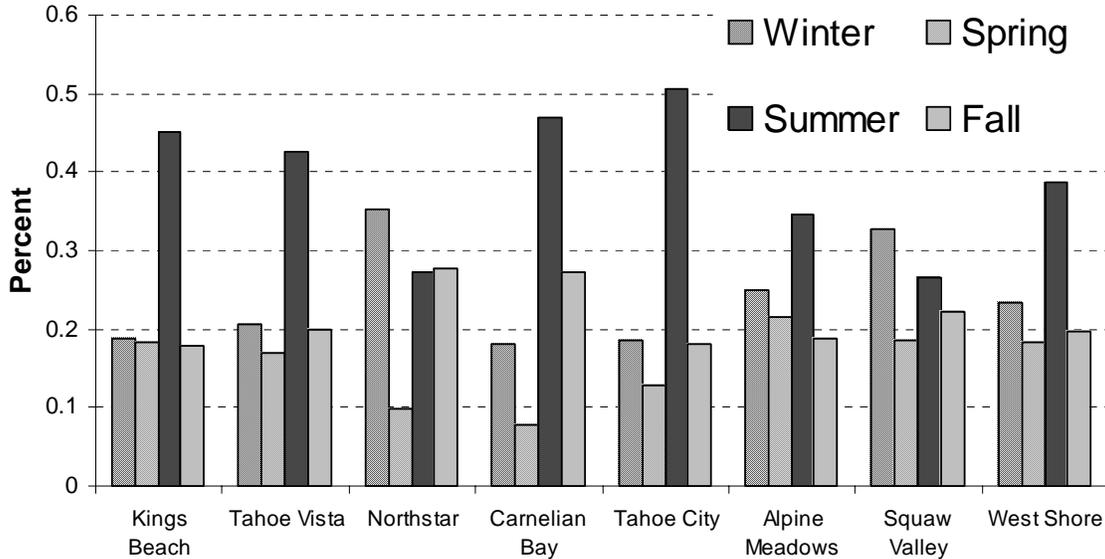
Table 21
Seasonal Trends—Transient Occupancy Tax Collection

	Revenues in 2006 Dollars				
	for the Past Three Years Combined by Season				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
Tahoe City	\$822,743 18.5%	\$568,229 12.8%	\$2,252,234 50.6%	\$805,786 18.1%	\$4,448,993 100.0%
Carnelian Bay	\$282,185 18.1%	\$120,741 7.8%	\$731,165 46.9%	\$423,646 27.2%	\$1,557,737 100.0%
Kings Beach	\$210,907 18.7%	\$206,151 18.3%	\$509,599 45.2%	\$201,806 17.9%	\$1,128,463 100.0%
Tahoe Vista	\$295,387 20.6%	\$242,616 16.9%	\$611,109 42.5%	\$287,320 20.0%	\$1,436,433 100.0%
West Shore	\$285,609 23.3%	\$223,493 18.2%	\$473,642 38.7%	\$242,446 19.8%	\$1,225,190 100.0%
Alpine Meadows	\$7,563 25.0%	\$6,522 21.6%	\$10,416 34.5%	\$5,706 18.9%	\$30,207 100.0%
Northstar	\$512,382 35.2%	\$142,014 9.8%	\$397,145 27.3%	\$404,006 27.8%	\$1,455,548 100.0%
Squaw Valley	\$2,329,039 32.9%	\$1,310,823 18.5%	\$1,875,171 26.5%	\$1,572,469 22.2%	\$7,087,503 100.0%
Total	\$4,745,817 25.8%	\$2,820,588 15.4%	\$6,860,483 37.3%	\$3,943,185 21.5%	\$18,370,073 100.0%

"seasonal_tot"

Source: Placer County, North Lake Tahoe Resort Association, EPS

Figure 8
Percentage of Business by Season



CONFERENCE CENTERS

The concentration of accommodations at Squaw, in combination with an effective “brand,” makes it a good location for hosting conferences and similar group functions. **Table 22** shows the supply of conference and persons capacity (not including community centers) around the North Shore. The Conference Center in Kings Beach has significant capacity; however, the lack of suitable conference attendee accommodations in the vicinity limits its marketability.

Conference, retreat, and other group-oriented functions could serve to attract visitors to the region during the shoulder seasons. The facilities in Kings Beach and Tahoe City are not sufficient to serve this economic function.

CONDO-HOTELS

The newly emerging condo-hotel industry trend in the resort industry has started to take-off in the Lake Tahoe Region. The condo-hotel concept can generally be described as a complex that has rental and reservation desks, short-term occupancy, food and telephone services, and daily cleaning services and that is operated as a commercial hotel even though the complex is owned by individual owners of units. Property owners with units in the rental program pay a management fee to the hotel operator(s).

Table 22
Meeting Capacity

Name	Maximum Banquet/Meeting Capacity
Resort at Squaw	600
The Village at Squaw	300
Squaw Valley Lodge	80
Northstar-at-Tahoe	250
Granlibakken	400
Kings Beach Conference Center	888

Source: SRRI.

The condo-hotel is an innovative product that provides investment opportunity and the convenience of a condo-style vacation home. The management company rents out the units when they are not owner-occupied and the rental income helps to defray the cost of second home ownership. Just like single-family ownership, the investor/owner has the right to sell their unit on the open market at any time.

There is strong potential for adding this product to the lakeshore mix of accommodations. The condo-hotel presents these advantages:

- It meets investor criteria by offering diversified (owner and renter) sources of income;
- It provides public resources via TOT;
- It provides a higher rate of occupancy than seasonally occupied vacation homes; and (as a result)
- It supports proximate retail uses.

The Resort at Squaw Creek was renovated in 2005 into condominiums for private ownership. Owners of these condominiums will be able to occupy the property when they want to and when they are not there they can rent out their property through the Resort management to vacationers. The rental program is not mandatory, but there are incentives for owners to join this program since greater numbers of visitors stimulate the vitality and desirability of the property.

In 2004 the Resort at Squaw Creek had an occupancy rate of 48 percent. This means that property owners could rent out their property almost 1/2 of the year. The most

affordable room reservation at the slowest time of the year at Squaw Creek was \$145 per night in 2004. Altogether there are approximately 225 units comprised of 165 2-bedroom units, 28 studios, 15 1-bedroom units, and 17 3-bedroom units. All 2-bedroom and 3-bedroom units have lock-off features for the owner to store personal belongings in one of the bedrooms until the next time they arrive. The units are priced from the mid-\$700,000s to \$1,000,000 for 2-bedroom, 2-bath, lock-off condo units.

FRACTIONALLY OWNED UNITS

Unlike condo-hotels which are wholly owned by one party and then rented out when not occupied, a fractionally owned unit has multiple owners. Each owner has rights to or a “deeded share” of the unit for a certain portion of the year. Ownership shares vary from three months to two weeks per year. They offer some of the benefits of vacation home ownership with the convenience of hotel-style amenities. As an investment vehicle they are more limited than the condo-hotel but require a smaller amount of initial capital investment.

There is an increasing supply of fractional units becoming available in the regional market. Approximately one-third of total residential units either partially built or in the pipeline supply in the regional market is intended to be fractional units. The fractional units are mostly located in unincorporated Placer County, with a clustering in the Old Greenwood, Town of Truckee development. Approximately 50 percent of units in the pipeline in unincorporated Placer County are anticipated to be fractional-owned units.

VACATION HOMES

Not all tourist accommodations are equal when assessing the impact of an available unit on the local economy. Hotels which are occupied at some level year round bring more spending potential to a locality than homes occupied by second homeowners a small portion of the year. The condo-hotel and fractional properties also increase TOT revenue since the Placer County TOT Ordinance requires hotel²⁶ property rented for less than 30 days to pay 10 percent TOT in the North Lake Tahoe TOT Area.

²⁶ “Hotel” is defined in Placer County Code as any “structure or any portion of any structure which is occupied, intended, or designed for occupancy by transients for dwelling, lodging or sleeping purposes and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location or other similar structure or portion thereof.”

A Tourist home or house is defined as “a house or condominium unit which is, or within which rooms are, available for rent to transients.”

The vacation home market continues to be strong with the median size vacation home of 4 bedrooms typically renting for \$475–\$500 per night. Alpine Meadows has slightly larger and more upscale homes in general that rent for the median price of \$700 per night, as shown in **Table 23**.

Table 23
Vacation Home Rentals

Area	Median # Bedrooms	Median # Bath	Median Nightly Rate
Alpine Meadows	4.5	4.5	\$700
North Shore	4.0	3.0	\$500
Northstar & Kingswood	3.0	3.0	\$500
Squaw Valley	4.0	3.0	\$475
Truckee & Tahoe Donner	4.0	3.3	\$488
West Shore	4.0	3.0	\$500

"vac_rental_summ"

Source: Tahoe Luxury Properties

TOT revenues for North Lake Tahoe (excluding Incline Village) declined approximately 7 percent between fiscal year 1999-2000 and 2003-2004 from \$4.2 million to \$3.9 million.²⁷ These data support the data presented earlier in this section that lodging activity has decreased in the North Shore.

Census data specific to Kings Beach and Tahoe City show the significance of the impact of the presence of homes used only for seasonal and recreational purposes. Census data from 1990 to 2000 do not show a trend towards a greater percentage of units used seasonally versus those available to permanent residents, as shown in **Table 23**. In fact, the census trend shows a decline in the percentage of homes used for seasonal and recreational use versus permanently occupied units. Given the dramatic housing price increases between 2000 and 2006 for the Kings Beach and Tahoe City market areas, indicating desirability to purchase a second home, it seems that the age of the census data may be hampering the ability of the data to document more-recent phenomena. EPS has heard from interviews with community members, particularly realtors, who are seeing a trend towards homes being used only seasonally, as well as a surge in

²⁷ LSC Transportation Consultants, 'Tahoe Interregional/Intraregional Transit Study', Draft, 2006.

investment purchases, and the baby boomers purchasing units for their children to use in the future.

The Investment Plan cites recent changes that may be driving the second-home purchase market. Among those reasons are these:

- Mortgage interest rates have been relatively low in recent years;
- With recent downturns in the stock market, real estate is viewed as a more stable investment alternative; and
- The 1997 tax law permitted tax-free profit of \$500,000 from the sale of a home. Termed a “1031 Exchange,” capital gains from sale of a home may be reinvested in another property(ies) within 180 days provided that property is identified within a 45-day period from the sale of property. The capital gains must be placed in an earmarked account during escrow.

EPS has also heard from stakeholders that second homeowners are occupying their vacation residences for fewer days out of the year, and as a result, more and more fractional and condo-hotel products are in the development pipeline. One of the largest development corporations in the area has set up their fractional ownerships based on an algorithm calculating that the ideal timeframe for vacation property ownership is 21 days per year.²⁸

While stakeholder observations likely report recent phenomena accurately, it has also been reported among industry trade journals that people are beginning to spending more time in their second homes at resorts around the nation as a result of technological advancements in networking and communications.²⁹ Over time, this trend could bode well for additional retail and community support in Tahoe City and Kings Beach.

LEISURE AND EVENTS

Nu Stats survey data indicate visitor median income for the North Lake Tahoe area was \$80,000 in 2004,³⁰ and that 50.3 percent of summer visitors and 38.5 percent of winter visitors choose staying “At Home” as a Tahoe activity. Of the total visitors surveyed, 40 percent of overnight visitors are from the Bay Area, 28.7 percent from other states. The percentage of Bay Area visitors declined to 32 percent during the winter.

²⁸ Based on discussion with a local realtor.

²⁹ “Mountain Resorts Grow Up” by David Holtzman, Urban Land, April 2006.

³⁰ LSC Transportation Consultants, Interregional/Intraregional Transit Study, Draft, May 2006.

RECREATION AND EVENTS

Recreation and Sporting events that have a regional and further draw are listed in **Tables 25** and **26**. **Table 25** lists summer events, and **Table 26** lists winter events. Winter events focus on snow activities including some national skiing and snowboarding competitions, and the main recreation event is Snow Festival with activities happening throughout the North Shore, including a Polar Bear swim race, a parade, torchlight descent at Squaw with fireworks, dog pull races in Tahoe City, and other family events. General snow-based activities in the area include skiing, boarding, telemarking, cross-country skiing, snowmobiling tours, sledding/tubing, dog sledding, sleigh rides, snowcat tours, and ice skating.

Summer events are more varied in both activity and location. More sporting events such as adventure races and bike/run events convene around Lake Tahoe. Arts and crafts fairs bring locals and tourists to the beaches. Summer activities include great mountain bike riding on local trails as well as resort-maintained trails, boat and other watercraft rentals, custom “adventure” tours, kayak/canoe rentals, river rafting on the Truckee river, fishing, cruises from Tahoe City, horse riding, golf, kite surfing, glider rides, hang gliding and paragliding, hot air balloon rides, four-wheeling adventures, and rock climbing.

The shoulder season months (April through June and September through November) tend to be quiet. The NLTRA looks for opportunities to support events during these periods.

Lake Tahoe has long been a favorite place for wedding ceremonies during the summer and continues to be a very strong market for this business.

CULTURE AND HERITAGE

Perhaps the most sought-after leisure activity opportunity that has not been filled is a performing arts center/stage for the area. According to information gathered from interviews with local events managers, several ideas for events have had to be turned down because of the lack of such a facility.

Local groups are investigating cultural heritage tourism, which has been defined as “travel directed toward experiencing the arts, heritage, and special character of a place,”³¹ so that tourism can be driven to focus on the connections between natural,

³¹ U.S Department of Commerce.

Table 24
Kings Beach and Tahoe City Market Opportunities and Constraints
Occupied and Seasonal Housing Units, 1990 - 2000

Item	Kings Beach		Tahoe Vista		Total	
	1990	2000	1990	2000	1990	2000
Occupied Units	1,093	1,411	488	670	1,581	2,081
Vacant Units						
Seasonal, Recreational Use	804	715	537	561	1,341	1,276
Other Use	258	158	96	34	354	192
Subtotal Vacant Units	1,062	873	633	595	1,695	1,468
Total Units	2,155	2,284	1,121	1,265	3,276	3,549
Percent of Total						
Occupied Units	50.7%	61.8%	43.5%	53.0%	48.3%	58.6%
Vacant Units						
Seasonal, Recreational Use	37.3%	31.3%	47.9%	44.3%	40.9%	36.0%
Other Use	12.0%	6.9%	8.6%	2.7%	10.8%	5.4%
Subtotal Vacant Units	49.3%	38.2%	56.5%	47.0%	51.7%	41.4%
Total Units	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

"occupied_vacant"

Sources: 1990 and 2000 U.S. Census and EPS.

**Table 25
Kings Beach and Tahoe City Market Opportunities and Constraints
Major Summer Events since 2000**

Event	Activity	Venue
Sporting		
Americas Most Beautiful Ride	Bike Ride	Around Lake Tahoe
Northstar 5K and 10K Run	Run	Northstar
Dirt Camp Mountain bike camp	Mountain Biking	Northstar
Donner Lake Triathlon	Triathlon	Donner Lake
Tahoe Big Blue Adventure Race	Mixed Sports	Lake Tahoe
Lake Tahoe Marathon	Triathlon	Tahoe City to South Lake Tahoe
Tahoe Rim Trail Hike-a-Thon	Hiking	Around Lake Tahoe
Xterra Championships	Mixed Sports	Around Lake Tahoe
Tevis Cup	Horse Race (endurance riding)	Squaw to Auburn
Recreation		
Beerfest, microbrews and music		Northstar-at-Tahoe
Tahoe ARTour		Region-wide
Cannibal Cruise Vintage Car Show		Truckee Regional Park
Lake Tahoe Summer Music Festival	www.tahoemusic.org	Various Locations
Shakespeare Festival at Sand Harbor		Sand Harbor, NV
Truckee Championship Rodeo		Truckee Regional Park
Tahoe Jazz Festival	www.tahoejazz.org	Northstar-at-Tahoe
Lake Tahoe International Film Festival		
Autumn Food and Wine Festival		
The Great Race	Professional Bike Race	Truckee
Railroad Days		Truckee
Classic Wooden Boat Show		Carnelian Bay
Tahoe Arts Festival		
Squaw Valley Writers' Conference		Squaw Valley
Other (probably not beyond regional draw)		
Arts and Crafts Fairs		Northstar and Kings Beach
Farmers Markets		Truckee, Tahoe City and Kings Beach
Star Tours (gazing)		Northstar
Wine and Beer Brands Dinners	(Stags Leap, Grgich, Gordon Biersch)	Various Locations
Annual Donner Party Hike		Donner Trail
Oktoberfest		Squaw Valley

"summer_rec"

Table 26
Kings Beach and Tahoe City Market Opportunities and Constraints
Major Winter Events since 2000

Event	Activity	Venue
Sporting		
USASA National Championships	Juniors Skiing and Boarding	Northstar-at-Tahoe
Vans Tahoe Cup	Snowboarding	Northstar-at-Tahoe
UNR Regional Race	Skiing	Sugar Bowl
Snowbomb Sick and Twisted Big Air	Skiing and Snowboarding	Various Ski Areas
The Great Race	Cross-country Skiing	Tahoe City to Truckee
X-Jam, X-Games Qualifier	Skiing and Snowboarding	Sugar Bowl
USAA Halfpipe and dual mogul competition	Skiing	Alpine Meadows
Sawmill 15K Cross-country race	Cross-country Skiing	Northstar-at-Tahoe
USTSA Telemark Skiing Championships	Telemark skiing	
Recreation		
Snow Festival	Parade, Polar Bear race, family events	North Shore

"winter_rec"

historic, and cultural local resources. The NLTRA is working on concepts for packaging rooms with museums, state park tours and so forth to leverage the Cultural and Heritage aspect of visitation to the area.

Currently available to visitors are the museums operated by the North Lake Tahoe Historical Society. The Gatekeeper's Museum sits on the site of a known Washoe Indian campsite and houses an eclectic collection of Tahoe history, including photographic collections, oral histories and transcription, newspapers, court ledgers, maps and written materials, letters, clothing, artifacts and furniture. The Marion Steinbach Indian Basket Museum next to the Gatekeeper's Museum houses a collection of over 800 baskets, pottery, clothing, dolls and artifacts from over 85 tribes nationwide. Watson Cabin is a 1909 log cabin listed on the National Register of Historic Places as the oldest house built on site in Tahoe City. It currently serves as a living history exhibit showcasing pioneer life on Lake Tahoe. Combined, these museums receive more than 10,000 visitors annually.³²

GAMING

Gaming is permitted in the State of Nevada and there are numerous casino and other small gaming establishments located around Lake Tahoe. The concentration of these establishments is on the North Shore; however, there is a cluster of casinos on the Nevada side of Crystal Bay (the Cal-Neva, Crystal Bay Club, Nugget Casino, and Tahoe Biltmore), and the Hyatt in Incline Village. These casinos draw visitors to the area and an economic spin-off of that activity is increased recreation activity, lodging, and spending in nearby communities that the visitors stay in or pass through. Gaming revenue by North Shore casinos over the past 10 years has increased 42.2 percent after adjusting for inflation, and South Shore casinos 36.1 percent. On an average annual basis, this equates to 3.6 percent for North Shore casinos and 3.1 percent for South Shore casinos.

Figure 9 shows seasonal gaming win patterns for North Shore establishments. Gaming revenue dips somewhat during the shoulder seasons, but the ability of Tahoe City and in particular, Kings Beach, to attract gamers on their way through town can help support commercial businesses during those seasons.

³² North Lake Tahoe Historical Society website: www.northtahoemuseums.org.

Figure 9
Annual Gaming Revenue Patterns



Source: Nevada Annual Gaming Abstract Reports, EPS

V. MARKET OPPORTUNITIES

RETAIL

The Claritas retail data, the demand side of which is based on residents only, shown in **Table 27** suggests that there is unfilled demand for specialty food stores, specialty clothing for men and women, beauty supplies including perfume and cosmetics, shoe stores, and jewelry stores. As mentioned in **Chapter IV (Table 13)**, Claritas data present supply or sales data based on all spending, including spending by visitors and demand data which are based only on residential demographics.

Table 27
Specific Retail Opportunities, North Shore

Store Category	Demand	Supply	Opportunity Gap
<i>formula</i>	<i>a</i>	<i>b</i>	<i>a-b</i>
Specialty Food Stores	\$2,703,189	\$415,420	\$2,287,769
Cosmetics, Beauty Supplies, Perfume Stores	\$320,145	\$0	\$320,145
Men's Clothing Stores	\$830,748	\$807,532	\$23,216
Women's Clothing Stores	\$2,099,629	\$1,396,187	\$703,442
Clothing Accessories Stores	\$186,160	\$32,198	\$153,962
Shoe Stores	\$1,380,725	\$832,640	\$548,085
Jewelry Stores	\$1,573,176	\$686,256	\$886,920
Luggage and Leather Goods Stores	\$123,193	\$0	\$123,193
Book Stores	\$820,178	\$795,095	\$25,083
News Dealers and Newsstands	\$57,855	\$0	\$57,855
Gift, Novelty and Souvenir Stores	\$1,398,312	\$1,277,976	\$120,336
Special Foodservices	\$1,607,456	\$1,315,971	\$291,485

"gap"

Source: Claritas

There also appears to be a demand for books/newsstand shops. There may be a demand locally for full-service restaurants; in the larger market, however, there appears to be a possible surplus. A full-service restaurant would need to compete for a share of the existing market or tap into the demand in the smaller region. Several of these types of retail establishments would also fill the needs stated by some business owners in the NTBA business survey (see Community Services section in **Chapter III**).

With half of summer vacationers stating that staying "At Home," there may also be opportunity for greater home services, for example, deliveries of home entertainment supplies, more food delivery establishments (currently there is just one pizza delivery service in Tahoe City), and at-home beautician services.

The retail data presented in **Table 13 (Chapter IV)**, show a region where supply and demand are essentially in balance. Also, in the larger region including the Martis Valley, there is a large amount of new supply in the proposal stages. Redevelopment efforts aimed at retail revitalization would, therefore, be best achieved by increasing the demand for retail through development of housing and accommodations in the communities. Increasing the appeal of the current retail base by enhancing the appearance of the built environment and creating pedestrian-friendly retail corridors will better position Tahoe City and Kings Beach to compete with other retail centers.

Using the recommendations for new development inherent in this Study, EPS has provided an estimate of additional retail which could be supported by increased accommodations and workforce housing development. **Table 28** is provided for illustrative purposes and displays the assumptions with regards to occupancy and expenditures and the resulting demand for retail space. The purpose of this table is to provide some scale in increased retail demanded by projects undertaken in the redevelopment areas. Readers should not infer from **Table 28** that 150 units of rental

Table 28
Retail Demand of Future Development—ILLUSTRATIVE

Assumptions	Kings Beach	Tahoe City	Redevelopment Area Totals
Hotel Units	250	250	500
Persons per Unit	2	2	2
Occupancy Rate	55%	55%	55%
Daily visitors	275	275	550
Spending per Person per Day [1]	\$78	\$78	\$78
Total Annual Spending	\$7,784,081	\$7,784,081	\$15,568,163
Workforce Housing Units	150		150
Household Income [2]	\$32,700		32,700
Annual Household Retail Spending [3]	\$11,772		\$11,772
Total Annual Spending	\$1,765,800		\$1,765,800
Total Spending by New Development	\$9,549,881	\$7,784,081	\$17,333,963
Increased Demand for Retail Sq. Ft. [4]	27,285	22,240	49,526

"future_retail"

[1] Excludes spending on accommodations and recreation.

[2] County income level for a family of four at 50% of area median. (HCD)

[3] Based on 36% of gross income available for taxable expenditures. (BLS)

[4] Assumes \$350 per sq. ft.

Source: Dean Runyan, Dept. of Housing and Community Development (HCD),
Bureau of Labor Statistics (BLS), EPS

housing will solve housing affordability issues in the region or that hotel projects with greater or fewer units should not be contemplated. **The conclusion based on available data is that new retail development should be concerned primarily with replacing obsolete older space with new space. To the extent net new retail development is pursued, it should proceed on a selective basis, be predicated on careful consideration of market niche, and be paired with other land uses as to spur local demand and minimize development risk.**

HOUSING

According to a recent article written by John F. Shirey, executive director of the California Redevelopment Association, "Housing and economic development are inextricably connected."³³ Because of the economics of resort communities discussed above, such communities need to take a more creative and strategic approach to providing housing for workers than may be required of non-resort locations.

The economics of the region do not provide a housing market which will respond to the demand created by low and middle wage workers. Government intervention and employer-based initiatives will be required to address the housing needs of the local workers. Other resort towns have addressed this issue in a variety of ways, many of which may be appropriate to the North Shore.

Employers in the Tahoe Basin are recognizing the critical need to provide housing for their workers and have created the Workforce Housing Association of Truckee Tahoe (WHATT). The organizations role is to advocate for, attract resources to, and develop housing for the local workforce. By drawing attention to the issue and assisting in the development of private employer initiatives and government programs and resources, WHATT is poised to play a significant role in the future of the North Tahoe Region.

The development of rental housing to serve the households who now reside in trailer parks not meant to serve as permanent housing and overcrowded rental homes will be significant to revitalization efforts particularly in the Kings Beach Redevelopment Area. As **Table 8** demonstrated, there are significant levels of overcrowding and rent burden being experienced by Kings Beach residents. **Table 28** suggests a level of affordable housing production of 150 rental units for very low income households as beginning to alleviate those housing problems and is based on the Census data on overcrowding and anecdotal information regarding overcrowding in neighboring communities such as Tahoe Vista. Such development efforts will require a significant amount of subsidy and

³³ "Show Me the Rooftops: Housing and Economic Development with a Redevelopment Perspective," John Shirey, May 2006, published in Western City.

partnership with an affordable housing developer experienced in accessing competitively allocated housing resources. With federal and State resources being limited, local resources need to be generated in the form of a land trust and housing trust fund. Housing trust fund sources may include commercial linkage fees, market rate residential in-lieu fees, transfer tax apportionment, and TOTs.

Housing opportunities, particularly for homeownership, for mid-level professionals and government workers will be significant for any efforts towards economic diversification of the region as well as for basic maintenance of community services. Increasing the number of housing units available for permanent residents will also have a positive effect on the retail environment. Programs to address this need may include “soft second” loan programs, modest housing products such as mixed use residential/retail, inclusionary zoning requirements, and effective deed restrictions which maintain the housing for permanent residents while providing for some level of equity creation.

TRANSPORTATION

Tahoe City and Kings Beach are well situated to capture ski area visitors frequenting Homewood and Alpine Meadows (Tahoe City), and Northstar, Diamond Peak and Mount Rose (Kings Beach). Good mass transit linking these communities and ski areas would have many advantages such as reduced automobile dependency, greater appeal to international visitors, and greater pedestrian activity in the communities (particularly during the evenings). These benefits could potentially improve Lakeshore visitor accommodation capture provided the whole package of a pedestrian-oriented community, suitable infrastructure and safety are addressed. An additional marketing component to entice visitors to use the mass transit system includes greater collaboration among the ski areas to provide financial incentives to visitors using the system to sample the different experience provided by each ski area. Ski areas may be more amenable to do this with greater marketing investment by the local governments.

A well functioning road and rail mass transit system could pave the way for increased water taxi service between lakeshore communities, provided that infrastructure and services can accommodate the water taxi traffic. Any water taxi service must integrate with the road and rail services so that visitors during any period of the year can enjoy a trip from one lakeshore access point to another. It would be anticipated that water taxi service locations, such as Kings Beach if a deep water pier facility were to be built, would enjoy a more competitive commercial market position for sales of goods and services.

In addition, in the long-term, it may be viable to bring a share of the current automobile traffic from the Bay Area up via rail. There is an initiative, which is in a holding pattern

as of this date,³⁴ to bring high-speed rail service from San Francisco to Truckee, and to add stations to the route specifically for ski travelers.

ACCOMMODATIONS

The data presented in **Chapter IV** indicate the importance of occupied dwellings on economic revitalization efforts in Tahoe City and Kings Beach. The scarcity of accommodations in those communities inhibits the economic growth of the retail sector. Increased accommodations for a range of income levels are critical to bringing overnight visitors down from the ski resorts to the lakeshore during the winter and to keep more day visitors to stay. This latter condition is particularly important since day visitors from the Bay Area spend an average of \$171 per day, whereas overnight visitors generate \$679 per trip to the community.³⁵

It is well documented in recent studies of the area that the Bay Area population generates the most visits to north Lake Tahoe. About 40 percent of the visiting summer population is from the Bay Area, and about 46 percent is from this region during the winter. Of total market share, only approximately 5 percent of visitors originate from international locations, and 28 percent originate from other states during the summer. During the winter international visitors make up 6 percent, and other states visitors make up 24 percent of total market share.³⁶ With increased good quality accommodations that are affordable for international travelers, Tahoe City and Kings Beach could capture an additional approximately \$38 per day compared to the \$171 per day spent by Bay Area visitors.³⁷

The spending data suggests that increased accommodations coupled with an aggressive marketing campaign to other states and countries could stimulate the economy.

RECREATION AND LEISURE

The North Shore communities are fortunate to have the services of locally-initiated business planning and marketing organizations. These organizations harness the energy of the local business community and provide a resource for enhancing the quality of the visitor experience along the North Shore. The North Tahoe Business Association's goal is to improve "the economic and visual quality" of the downtown commercial cores

³⁴ Placer County Transportation Planning Agency, http://www.pctpa.org/modes/rail.htm#Reg_Rail

³⁵ North Lake Tahoe Tourism and Community Investment Plan, 2004.

³⁶ LSC Transportation Consultants, Interregional/Intraregional Transit Study, Draft, 2006.

³⁷ North Lake Tahoe Tourism and Community Investment Plan, 2004.

using a “Main Street” approach. The North Lake Tahoe Resort Association (NLTRA) promotes tourism through marketing and visitor services. The NLTRA operates the North Lake Tahoe Chamber of Commerce and the Tahoe North Visitors and Convention Bureau.

Given the huge successes of Shakespeare on the Lake at Sand Harbor and the Lake Tahoe Summer Music Series at various locations around the North Shore, and the lack of a good permanent performing arts stage, a well-organized amphitheatre with adequate parking along the North Shore would be well used during the summer and shoulder months.

There is tremendous historical information that can be unearthed, expanded on, and improved on that would be of interest to visitors and bring them over from the resort areas such as Northstar and Squaw to visit the lakeshore for a day or portion of a day. Area history that could be mined includes the history of the Truckee River train service, steamer boat services on the Lake, the landmark hotels that existed around the Lake, such as the Tahoe Tavern in Tahoe City, gambling stories of famous actors in Crystal Bay, historic character stories, and the history of logging and the flumes around the area are all examples of cultural heritage that are not currently available to visitors.

More recent and evolving history and stories include environmental protection, the research of which could be brought together in a center for ecologic studies, promoting both an interpretive center and think tank center for groundbreaking ecologic research. Particular problems faced by the region include water quality (clarity of Lake Tahoe), threat of wildfire, and human encroachment on endangered and threatened species (such as the Tahoe Yellow Cress which is endangered).

Local governments could aid in development of these ideas by orienting existing facilities for increased shoulder seasons usage by sponsoring major events and expositions (for example a pre-summer season water sports expo on the beach at King Beach).

APPENDICES

APPENDIX A: SIERRA SUN ARTICLE

APPENDIX B: TABLES

EPS

Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

APPENDIX A

SIERRA SUN ARTICLE

Suffering through the ski season

By David Bunker, dbunker@sierrasun.com
March 1, 2006

Samuel, Ed and Edmund are clustered around a motel hot plate heating a simmering pot of banku, a traditional West African corn meal dinner.

They are nearly 8,000 miles from home, preparing to eat after a full day of loading people onto lifts at Boreal and Soda Springs ski resorts. In their cramped, one-bedroom space at Truckee's Alpine Country Lodge, the propped up hot plate in their living room serves as a kitchen.

But tonight, as the pot bubbles, they smile.

They are leaving Truckee. Leaving the rock-bottom wages and the dismal living conditions; leaving the long hitchhiking sessions in freezing temperatures every morning.

"Even if I was paid \$20 an hour, I wouldn't come here again," says Samuel in the British-inflected English of his native Ghana. "I can't stand on the roadside and beg for a ride."

It's two months before the trio is supposed to leave. Instead of staying they jumped at the chance to get out of the Truckee area and return to a seasonal job in Yosemite National Park. Transportation to and from work and adequate housing await them there. They can't wait to leave.

Samuel runs ski lifts at Soda Springs Ski Resort. Ed and Edmund are lift operators at Boreal Mountain Resort.

But their chances of even getting to their jobs atop Donner Summit depend on an outstretched arm and an extended thumb each morning. Sometimes they wait for as long as two hours in the numbing cold before someone picks them up.

After all day working in the snow, getting home can be another hour-long ordeal.

"We are ready to go back" to Yosemite, says Ed. "We cannot live here."

Visa workers

Samuel, Ed and Edmund, who asked that their last names be withheld, are working in the United States on temporary work visas, or H2B visas. They are three of nearly 66,000 workers who pour into the country every year to work in seasonal jobs Americans won't take.

The Ghanaians say they each paid \$7,500 in September 2004 for visas, plane tickets and agent services to work in the U.S. At the ski resorts they make \$7.25 an hour, which amounts to a little more than \$800 a month. Together they shell out \$825 a month to share a motel one-bedroom at the decidedly no-frills Alpine Country Lodge.

After buying food and other necessities, the workers often have to dip into savings from their past, more lucrative jobs to live.

A foreign ski resort worker tries to hitch a ride to work during Tuesday's snow storm on Donner Pass Road. It's not unusual for seasonal workers, who arrive in the area without vehicles, to wait for as long as two hours to catch a ride to work to resorts that do not offer transportation.



[Click to Enlarge](#)

Photo by Ryan Salm/Sierra Sun

[Browse and Buy Sierra Sun Photos](#)

What the resorts do for their workers

Some ski resorts give little or no help to international workers who land in town with little money, no housing and no car. Others have worked hard to buy or build employee housing and establish transportation for their workers.

While low-wage jobs and expensive housing are nothing new to the Truckee-Tahoe area, the international workers' situation is different. They put down thousands of dollars just to get here after being recruited in their countries by employment agents of the ski resorts. They often arrive in

“The pay,” Ed says, “sometimes doesn’t reach.”

The three men, each in their late 30s, are some of the few international workers who remain at the lodge. Many of the others departed when they realized they couldn’t make ends meet, or tired of the workdays elongated by hours of hitchhiking to and from work.

The workers were brought to the two Donner Summit resorts by Cultural Homestay International, a nonprofit Bay Area visa organization that recruits international workers for seasonal jobs.

But after seeing the conditions the workers have had to endure, Cindy La Rue, operations manager for the visa agency, said she will probably not work with Boreal or Soda Springs again.

“I feel like I drove a lot of people out to the desert and said ‘Find your way home,’” La Rue says.

Other companies Cultural Homestay International has worked with in its 28 years in the business supply affordable housing and transportation for their workers, she says. This year the organization had the task of trying to arrange both housing and transportation.

“We have had challenges,” La Rue says, “but none on this scale.”

This season some workers have had to live in Reno, hop the bus up to Truckee every day and then hitchhike up to the Summit. The situation has kept her awake at night, La Rue says, and she has fielded a continual string of calls from the seasonal workers who contact her on her cell phone.

“[Employers] need to take into account that these are human beings,” La Rue says.

A problem

Boreal and Soda Springs first did something about the transportation problem in the middle of this ski season. They set up a carpooling program that rewards workers who have cars if they offer rides to their fellow employees, says Kathy Chan, human resources director for Alpine Meadows, Boreal and Soda Springs. The program has helped workers, she says.

Yet many of the resort employees can still be seen thumbing rides each morning in the harsh winter elements the Sierra Nevada can conjure up.

Chan says the resorts are budgeting to get a bus for their workers next season. The company has been unable to get transportation running this year because of budget constraints and legal requirements that govern the use of buses.

“We don’t want to be a callous company,” she says. “It just doesn’t happen overnight.”

Boreal and Soda Springs did allow workers to rent rooms at the Boreal Inn before Christmas, when the workers were still trying to find housing, Chan says.

That’s about the same time every year when Truckee resident Sharon Esler’s phone starts ringing off the hook. The calls come from international workers scrambling for a place to live.

Esler, who over the last several years has arranged housing for countless international workers, says she cannot believe the resorts’ lack of involvement in housing their workers.

town with no car or drivers license. “We really leave that up to them,” Savannah Cowley, spokeswoman for Squaw Valley USA, said of employee housing at the resort. Apart from 60 beds at the Squaw Valley Hostel that the resort owns and offers at a weekly rate to employees, Squaw Valley workers are on their own. Other resorts, such as Northstar-at-Tahoe and Sugar Bowl, are leaders in providing housing and transportation for their employees. Even Donner Ski Ranch, a small family-run resort, offers approximately 25 housing units next to the mountain’s slopes for its workers, according to owner Janet Tuttle. Boreal Mountain Resort and Soda Springs Ski Resort have no transportation and no housing. Workers fly in from a distant country, and apart from some help from the visa agency, they’re on their own to find housing, thumb rides and learn the ropes.

“I just think it is really irresponsible of the ski resorts to offer them jobs and bring them here without housing them or offering them any stipend,” says Esler, who runs a concierge, planning and vacation rental business.

In her years helping out ski workers Esler says she has seen people scrounging bread rolls from the resorts to help stave off hunger. Many stuff four to six people in a room to help cut the cost of rent.

“Some of them can’t even afford to eat,” Esler says.

Working for families

Sam, Ed and Edmund all have wives and children back in Ghana. Unlike many of the younger resort workers who are happy to sleep on floors in exchange for free skiing or snowboarding and the chance to party the winter away, this trio will return to families in Africa.

They came here for work, not to shred the slopes.

“Their incentive is not to have free lift tickets,” La Rue says. “They are here to make money.”

But workers like Mathew Rawson, a recent college graduate from England, find the adventure and the lifestyle of resort work appealing. In his second season working at Alpine Meadows, the free snowboarding and experience of living in Tahoe is enough to more than balance out the hitchhiking and low wages.

“I love the adventure of it, to come out to the other side of the world to a place I didn’t have a clue about,” says Rawson, who paid almost \$1,200 to get his work visa.

Julian Egea, who works in the office at Boreal Mountain Resort, is also happy to be in Tahoe. Despite spending the first part of the season with five other workers in a Kings Beach one-room apartment he called a “kitchen/living room/bedroom,” Egea says he’s happy to be taking a break from college in Argentina and spending some time in the United States.

Now Egea and his friend live in a house in Tahoe Donner where he has his own room.

The first months of the ski season Egea traveled to and from work in a car he and his friends bought in Reno. But last week the car broke down. So the crew rents a car for \$300 a month so they don’t have to hitchhike.

Want among plenty

In Truckee and North Tahoe, homes sit vacant all around the single room crammed with Samuel, Ed and Edmund’s mattresses. Many are occupied seasonally. Some only for a few weekends a year. Most are luxurious. Some are downright decadent.

But the wealth lavished around the ski mountains and resorts of the Sierra has not trickled down to the three Ghanaians or the many others like them.

They work in a multi-billion dollar industry, but the money flows elsewhere. While over the past years Tahoe ski resorts have funneled hundreds of millions of dollars into upgrades, only one resort, Northstar-at-Tahoe, has plans to build more housing for its employees.

Resort run-down

Sugar Bowl Ski Resort

- Owns and rents out Donner Summit Lodge’s 96 beds to seasonal workers. Rents out 40 dorm-style beds at the resort and three homes that can hold about 20 more employees on Donner Summit. Total employee housing: Approximately 160.
- Offers workers a shuttle service to and from the housing complex.
- With help from the Town of Truckee, the shuttle runs into Truckee.

Northstar-at-Tahoe

- Owns and rents out 60 beds in a employee housing complex near downtown Truckee.
- Runs a shuttle from the resort to the housing complex.
- With help from the Town of Truckee and the North Lake Tahoe Resort Association, the shuttle also makes stops in Truckee and Kings Beach.
- Has plans to build 96 new employee housing units on Northstar-at-Tahoe property as part of a construction projects that will add more than 1,450 condominiums and a new village to the resort.
- Offers 10 free lift tickets or a season pass to homeowners who house their ski workers.

Boreal Mountain Resort

- No housing.
- Formed a carpool program during the middle of this season for workers.

Soda Springs Resort

- No housing.
- Formed a carpool program in the middle of this season for workers.

Donner Ski Ranch

- Approximately 25 housing units next to the resort.
- Workers often hop on the Sugar Bowl shuttle or get a ride from the owners or workers at the resort.

Alpine Meadows

- No housing
- Public transportation buses run past the entrance to Alpine Meadows. An employee shuttle takes workers to the base of the ski resort. Employees are reimbursed for their public transportation tickets.

Squaw Valley USA

- Has 60 beds at the Squaw Valley Hostel that can be used for temporary

Worse, the international workers are on temporary visas, and the rules of the program create an underclass of labor that is nothing short of indentured servitude.

H2B visas are tied to employers and jobs. Workers are not free to take another job if they are mistreated. They are locked into their work by visa agreements.

employee housing. The beds are rented out by the week.
• Public transportation services Squaw Valley, and the company reimburses employees for bus tickets.

And it's a one-way relationship at some resorts. If it doesn't snow, the resorts have no obligation to give the internationals work. The workers assume all the risks with no guaranteed rewards.

But by no means are all resorts equally exploitive of the cheap overseas labor. In fact, some area resorts are stepping up to the plate with both housing and transportation.

Unlike workers at most other resorts, Sugar Bowl employees can hop a bus after work that will drop them right at their doorstep — a room that is owned and managed by the ski resort. The conditions at Donner Summit Lodge are not luxurious, but most workers have a choice of different room sizes.

Sugar Bowl workers can also live in 40 dorm-style beds at the resort or in one of the three houses the ski resort rents out to its employees.

At Northstar-at-Tahoe, employees have a pick of 60 beds near downtown Truckee. The resort has Placer County's approval to build 96 more units near the slopes of the resort.

Deep pockets

While Boreal and Soda Springs are small resorts, the company that owns them is a giant in the ski industry. In addition to the two small Donner Summit resorts, Powdr Corp owns Alpine Meadows, Park City in Utah and Mt. Bachelor in Oregon. In 2001, before the company bought Mt. Bachelor resort, Powdr Corp had revenues projected at more than \$63 million by Forbes Magazine.

While company officials say Powdr Corp hasn't budgeted for transportation or housing for its employees, it did have enough money to remodel its lodge and bar, Boreal Inn, add a skate bowl at the base of the mountain and transform the mountain into a large terrain park.

Boreal Inn rents out rooms for between \$100 and \$140 a night.

At Alpine Meadows, the company added a new high-speed chair lift for the season.

A solution

The plight of ski resort workers is nothing new in the area. But as North Tahoe and Truckee's real estate markets continue to escalate, those who once were just scraping by are now hanging on by their fingernails.

"It's been going on for years and it's not getting any better," says Rachelle Pellissier, executive director of the Workforce Housing Association of Truckee Tahoe.

Pellissier and other housing advocates have long urged companies to provide housing for their workers. With housing prices steadily increasing, the only way low-wage employees will have a place to live in the future is if employers, community organizations and governmental agencies get affordable housing on the ground, Pellissier says.

Others, like Esler, can think of more short-term solutions, like gauging the amount of international employees the resort will take in for the winter — and then arranging leases beforehand.

For La Rue at Cultural Homestay International, one simple step needs to be resolved first.

"Without the transportation, forget it," she says. "The transportation has been the No. 1 problem, and it is such an easy, solvable problem."

APPENDIX B

TABLES

Table B-1	Starting Salaries for Selected Occupations
Table B-2	Regional Market Rental Rates
Table B-3	Median Home Prices—North and West Lake Tahoe Area 2000–2005

**Table B-1
Kings Beach and Tahoe City Market Opportunities and Constraints
Starting Salaries for Selected Occupations**

Job Title	Organization	Starting Salary 2005 [1]	Tips	Basis	Source
Food Service Worker	Alpine Meadows Ski Resort	\$7.25	Yes	hourly	Alpine Meadows Ski Resort, HR
Food Service Worker	Timber Creek Restaurant, Northstar	\$6.75	Yes	hourly	Employee
Food Service Worker	Pizza Hut Express	\$8.25	Yes	hourly	Employee
Food Service Worker	Coyote Moon Golf Course	\$6.75	Yes	hourly	Employee
Food Service Worker	Piper's Patisserie	\$8.00	Yes	hourly	Employee
Food Service Worker - golf cart	Old Greenwood Community	\$6.75	Yes	hourly	Employee
Lift Operator	Boreal	\$7.50	No	hourly	Employee
Lift Operator	Sugar Bowl Ski Resort	\$7.25	No	hourly	Employee
Ski / Board Instructor	Sugar Bowl Ski Resort	\$10.00	No	hourly	Employee
Child Care / Ski Instructor	Sugar Bowl Ski Resort	\$8.50	No	hourly	Employee
Ski Rental Technician	Sugar Bowl Ski Resort	\$7.25	No	hourly	Employee
Ski Rental Technician	Northstar Ski Resort	\$8.00	No	hourly	Employee
Ticket Checker	Boreal	\$7.50	No	hourly	Employee
Lifeguard	Old Greenwood Community	\$10.00	No	hourly	Employee
Fitness Staff	Old Greenwood Community	\$10.00	No	hourly	Employee
Village Services	Sugar Bowl Ski Resort	\$9.00	No	hourly	Employee
Front Desk Receptionist	Old Greenwood Community	\$14.00	No	hourly	Employee
Lodging / Reservations	Northstar Ski Resort	\$11.00	No	hourly	Employee
Defensible Space Crew	North Tahoe Fire Prot. District	\$10.00	No	hourly	Sierra Sun Newspaper
Administrative Secretary	Town of Truckee	\$32,906	No	hourly	Sierra Sun Newspaper
Operations Specialist	Squaw Valley PSD	\$32,302	No	hourly	Sierra Sun Newspaper
Teacher	Tahoe-Truckee USD	\$34,802	n/a	annual	Rand California
Asst. Civil Engineer [2]	North Tahoe Public Utility District	\$44,259	n/a	annual	North Tahoe PUD
Purchasing Agent	Tahoe-Truckee Sanitation Agency	\$45,756	n/a	annual	Sierra Sun Newspaper
Firefighter - entry level	North Tahoe Fire Prot. District	\$46,822	n/a	annual	North Tahoe FPD

"salaries"

[1] Winter seasonal positions for the 2005-2006 season.

[2] Adjusted for inflation (CPI = 2.70%) from 2004; CPI assumption from North Tahoe Public Utility District.

B-1

Table B-2
Kings Beach and Tahoe City Market Opportunities and Constraints
Regional Market Rental Rates

Location	Rental Rate per Month	Bedrooms	Bathrooms	Garage
Houses (Unfurnished)				
Kings Run Studio	\$750	1	1	
Carnelian Bay	\$1,150	1	1	
Kings Beach	\$1,000	2	1	
Truckee	\$1,400	3	1.5	
Agate Bay	\$1,500	3	2	
Kings Beach	\$1,500	3	2	2
Truckee	\$1,800	3	2	
Truckee	\$1,475	3	2	2
Tahoma (West Shore)	\$1,350	3	2	
Brockway (nr Kings Beach)	\$1,100	3	2	
Crystal Bay	\$2,000	3	3	
Incline Village	\$2,400	4	3.5	2
Condos / Townhouses (Unfurnished)				
Tahoe Vista	\$950	2		
Tahoe City	\$1,190	2	1.5	
Incline Village	\$1,250	3	2	
Apartments (Unfurnished)				
North Shore studio	\$550	1	1	
Kings Beach studio	\$595	1	1	
Truckee	\$1,200	1	1	
Truckee	\$950	1	1	
Squaw Valley	\$850	2	1	
Tahoe City	\$930	2		
Truckee	\$1,200	2	2	1
Rentals to Share - Houses and Condominiums				
Donner Lake	\$600			
Incline Village	\$650			
Tahoe City	\$550			
Truckee	\$550			
Rentals to Share - Rooms				
Carnelian Bay	\$450			
Donner Lake	\$475			
Alpine Meadows	\$600			
Squaw Valley	\$475			
Truckee	\$475			

"rentals"

Source: Sierra Sun and Tahoe World newspapers, May 2006.

Table B-3
Kings Beach and Tahoe City Market Opportunities and Constraints
Median Home Prices - North and West Lake Tahoe Area, 2000-2005

Item	2000	2001	2002	2003	2004	2005
Single-Family Homes						
Total Sales Reported	395	244	290	362	363	362
Median Sales Price	\$400,000	\$382,000	\$420,000	\$478,000	\$590,000	\$681,000
Condominium Units						
Total Sales Reported	81	62	88	83	121	98
Median Sales Price	\$215,000	\$247,000	\$262,500	\$260,000	\$415,000	\$537,000

"price_summ"

Source: Century 21 Tahoe Sierra Real Estate

VOLUME III

STAKEHOLDER INTERVIEWS

The following memorandum was prepared by EPS pursuant to a review of background information and interviews of key individuals at the outset of the project. The memorandum is included to provide context for the market research (Volume II) and policy guidance (Volume I). The reader should note that the land use policy discussion contained in Volume I supersedes the more preliminary and informal information contained in this initial memorandum.

Prepared for:

Placer County Redevelopment Agency

Prepared by:

Economic & Planning Systems, Inc.

March 29, 2006

EPS #15535

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MEMORANDUM

To: Rae James, *Placer County Redevelopment Agency*

From: David Zehnder
EPS Consultant Team

Subject: Stakeholder Interviews and Study Implementation Recommendations:
North Tahoe Land Demand Study; EPS #15535

Date: March 29, 2006

Economic & Planning Systems, Inc., (EPS) has been retained by the Placer County Redevelopment Agency to conduct a land use demand study (Study) for the Redevelopment Areas of Kings Beach and Tahoe City. The purpose of this study is to promote the revitalization of the Redevelopment Areas using a sound redevelopment strategy. This memorandum provides the results of the initiation process designed to guide the Study.

This memorandum summarizes the major findings associated with stakeholder interviews, suggests specific topics of research and analysis to be conducted, and highlights the consultant team's next steps. The first portion of this memorandum describes the results of the initial information-gathering process. The last section explains the direction of further research required to complete the Study.

This memorandum focuses on current problems faced in the Redevelopment Areas. Determining those problems is the first step towards revitalization of a region with great potential and natural beauty.

RESULTS OF INITIAL RESEARCH

On February 2 and 3, 2006, EPS, along with subconsultants and Placer County representatives, toured Kings Beach and Tahoe City and held a series of stakeholder interviews with local property owners, developers, and service providers. The purpose of these interviews and site visits was to identify development opportunities and constraints, as well as community interests and issues associated with redeveloping key

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areas in these communities. These in-person interviews were supplemented by a series of telephone interviews held in February and March, as well as attendance at a community meeting. A list of interviewees and meetings attended is provided as **Appendix A**.

It was EPS's intent to hear from a broad cross-section of community members with varying interests and perspectives on the issues facing Kings Beach and Tahoe City. While this memorandum presents the findings of these initial interviews along with independent observations made by team members and is designed to guide subsequent analysis, EPS expects to continue discussions with stakeholders regarding specific issues identified for market research. Such future interviewees likely will include representatives from the Tahoe Regional Planning Association (TRPA), a homeowner's association, workforce housing stakeholders and providers, land owners, and public safety specialists. These additional stakeholders will add information vital to the intent of this study.

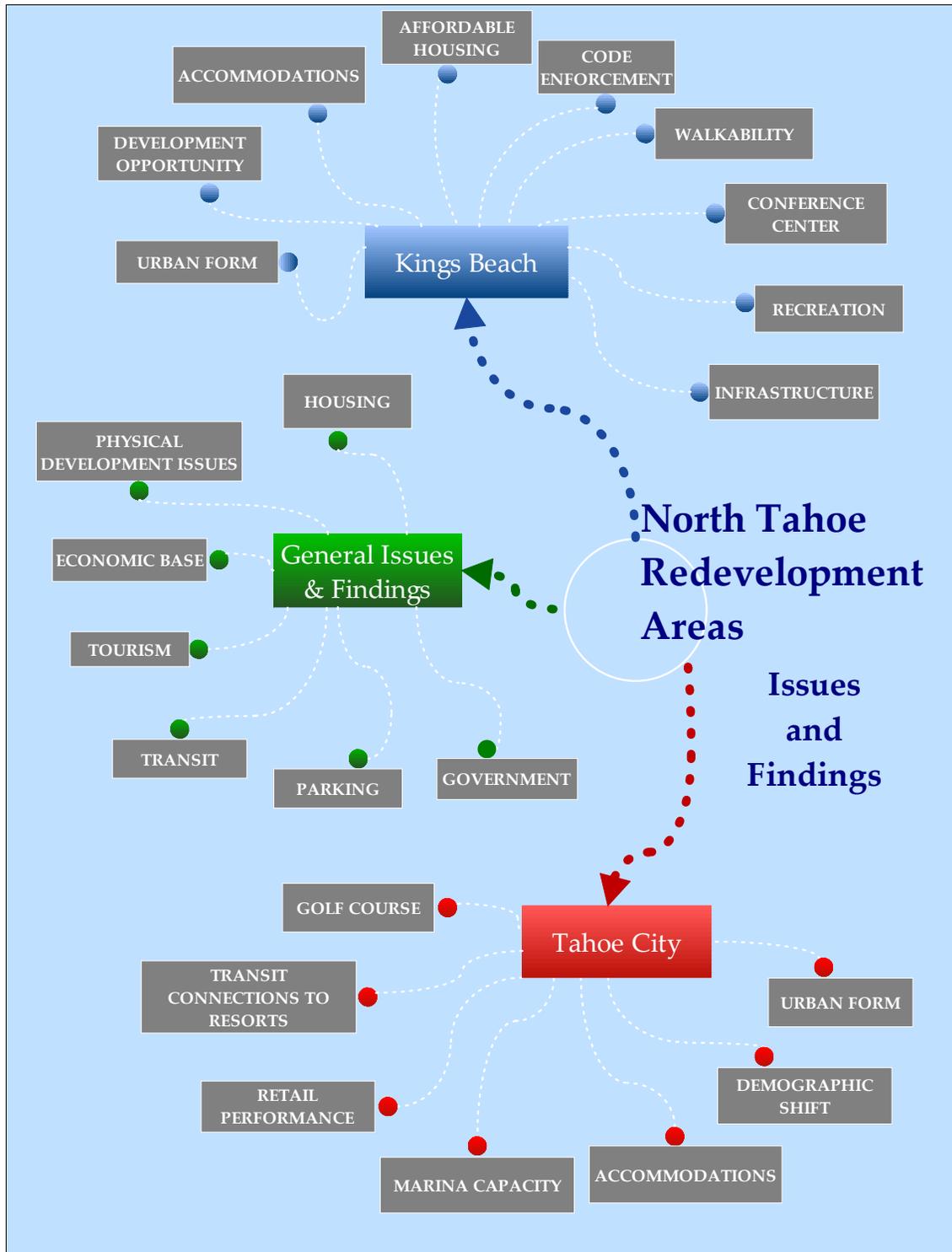
In this section, EPS provides the results of information gleaned from interviews, site visits, and some document review. There is information presented that expresses the perception of community stakeholders. Those perceptions should not be taken as statistically researched or fact-based conclusions. They are meaningful indicators of the experience of community members, and EPS will conduct further research on several conclusions as necessary before final recommendations are made with regards to redevelopment strategies. Formatting has been used throughout this section in an attempt to differentiate between independent consultant observations, which are in paragraph form, and stakeholder perceptions, which use bullet formatting.

There has been a wealth of information and data generated through previously prepared reports. Some information from those reports has been included, where significant or illustrative, in this discussion of highlighted issues. This memorandum, however, should not be viewed as an exhaustive synthesis or analysis of all of the conclusions generated by those documents. EPS will continue to make use of available resources throughout the study process.

Appendix B to this memorandum provides the breakdown of perceptions regarding issues and proposed solutions, in table form, gathered from stakeholder interviews and community outreach.

Figure 1 groups the issues and findings of general and Redevelopment Area-specific concerns. Each of the "boxes" shown corresponds to headings on which are elaborated in the following text.

Figure 1



ISSUES AND FINDINGS: GENERAL REGION

The following discussion provides information regarding issues and perceptions facing the North Shore of Tahoe as a whole and are equally applicable to both Tahoe City and Kings Beach.

Housing

There are three primary housing/lodging categories identified in the two communities, although the apparent needs of each community differ somewhat. These categories include ownership housing for permanent residents as well as second homes, rental housing, and tourist accommodations. The discussion that follows identifies stakeholder perceptions of how the supply and needs of each category are impacting economic development. The lack of workforce housing is identified as having a profound effect on the region and will be a critical element of a revitalization strategy.

Ownership Housing

There does not appear to be significant development of single-family market-rate homes for permanent residents nor is there workforce housing. Overall, it appears that the ownership housing market is focused almost exclusively on high cost units for seasonal or intermittent owners, and that permanent residential housing is occurring primarily outside of the Lake Tahoe basin.

- Development activity in ownership housing centers around two primary product types: second homes with intermittent use, and what has become known as “condo-hotels,” wherein an owner agrees to lease their property for a portion of the year in a rental pool.
- According to local real estate figures, the median price for a single-family home in North Lake Tahoe is \$899,000 and \$695,000 for a condominium. Modest newer townhouse units are reportedly selling for more than \$700,000 in Kings Beach.
- Schools cannot find substitute teachers because teachers cannot afford to purchase homes within a reasonable commuting distance.
- Public safety is compromised by the fact that public safety workers must commute long distances from more affordable communities; commutes which may be made infeasible in foul weather.
- Government service providers voice concerns over their ability to replace employees who are expected to retire in the coming months and years.

Rental Housing

Employment generated by tourism-reliant businesses is generally low paid service work. The high value of land and intense regulation required to protect the pristine environment constrain the availability of suitable housing to support the employment base. The 2000 Census reported that 17 percent of the housing stock in the Truckee Tahoe area was available for non-vacation rental.

- Local employees are relegated to overcrowded and sometimes unsafe conditions to locate shelter such as dilapidated trailer parks and motels.
- The seasonal nature of the employment base exacerbates the gap between income and the ability to afford suitable housing.
- An attempt to provide affordable rental housing in Tahoe Vista, Cedar Grove, stalled or failed after several years of efforts.
- While substandard motels and trailer parks fill the void for some workers; however, many employees are forced to commute from as far away as Reno.

Tourist Housing

The market for seasonal tourist housing generally is strong in the entire Lake Tahoe region with a variety of units in demand. However, there appears to have been a shift over that past several years from the hotel/motel type product that has a heavy reliance on local serving retail, to individual homes, condos and time shares with kitchens, storage, laundry facilities, and entertainment features. This has put pressure on these low cost older properties to either upgrade or convert to longer term rentals. The result is that many of these properties are being converted to fractional units and upgraded, torn down and used as development-right commodities, or left to languish and to be used as long-term rentals a problem which can be improved by enhanced code enforcement.

The proliferation of on-line accommodations and reservation searches reveals a dearth of even two-star accommodations in Tahoe City and Kings Beach. There are no new full service hotels in the area. This lack of acceptable accommodations is further evidenced by the difficulty the Kings Beach Convention Center has in attracting users.

- There are a large number of houses for rent, as second homeowners join management groups or individually rent their homes for large parts of the year.
- There also are several new fractional unit projects, as well as new condominium projects and rehabilitated motels.
- Many of the summer motel users have been coming to the area for decades, and some operators are reluctant to change for fear of losing this clientele. These

motel operators do not want to see their stable customer base priced out of the tourist market.

Workforce Housing Needs

Beyond anecdotal evidence provided by stakeholder interviews, EPS reviewed several recent documents addressing the demand for workforce housing including Workforce Housing Association of Truckee Tahoe (WHATT) September 2005 Business Plan, the Truckee Seasonal Worker Housing Study and The Proposed Cedar Grove Project Affordable Housing Demand Review. The demand for housing is well documented, and the lack of housing affordable to the local workforce was mentioned with frequency by interviewees. The following information was gleaned from secondary source data:

- There is a need for 1,800 new housing units in the “Truckee Tahoe region” to meet projected demand.¹
- Households earning less than 200 percent of median household income² (currently \$128,000³) are struggling to find available units.
- Families are competing for housing with wealthy outsiders seeking second homes, with 50 to 70 percent of all units in the region held off the long-term housing market.⁴ The scarcity of 25- to 44-year-old residents in the area is indicative of the impact of this trend on the composition of the community, with only the older and youngest segments showing growth.⁵
- There is a year-round workforce of relatively low-wage workers serving a growing tourist/resort base. The supply of product types for lower income groups (e.g., attached dwellings) is scarce.
- The demand for affordable units is created by the growth of the resorts and supporting businesses who require employees for operations.
- Environmental protections and land values limit available land and allowable product types.

¹ Rick Jacobus, Burlington Associates in Community Development, “Business Plan, Workforce Housing Association of Truckee Tahoe,” September 2005, p. 4.

² Ibid.

³ State Department of Housing and Community Development, February 2005. Median income of a family of four in Placer County is \$64,100.

⁴ “Business Plan,” p.16.

⁵ Ibid.

Effects of Housing Affordability on Maintenance of Permanent Labor Force

The region's inability to maintain a permanent work force has debilitating effects on the community. As mentioned above, many low-wage workers must find affordable housing in Reno and face difficult or impossible commute conditions. The long commutes to find affordable housing provide the low-wage workers with an incentive to find local work closer to home. This incentive creates high turnover in Kings Beach and Tahoe City and prevents growth and performance for local businesses. This has impacts on the local economy as remote employees do not support local businesses to the same degree permanent residents do. The challenge is how to induce workers at all income levels to stay put, raise families, and rebuild local institutions.

- The group earning 120 percent (currently \$76,900⁶) of median family income (currently was identified by one stakeholder as the "heart of the community," representing middle-management employees with valuable skills.
- Overall the perception is that a "brain drain" exodus of this sector of the population is affecting long term health of the regional economy.

Residential Housing Outlook

- There are hundreds of units in the near-term supply pipeline, mostly in the Truckee area. Much of this product is single-family detached and will not address affordability issues.
- There are several development entities consolidating land holdings in both Tahoe City and Kings Beach with the intent of developing residential units. The outlook for this development is primarily as second homes or fractional homes in resort-type settings.

Empty Units

A significant proportion of the total housing stock in the region may be vacant, but unavailable for rental or purchase at any one time. An estimated 70 percent of Truckee units sold as second homes,⁷ consuming land otherwise available for workforce housing and reducing the demand for local goods and services. The high cost of land and regulatory barriers are a major limiting factor to workforce housing development.

Rental Niches

Two major rental markets exist in the area. One contains a permanent workforce that supports the year-round needs of the community. The range of unit types necessary for the permanent workforce is varied as singles and families with small children fill these

⁶ Housing and Community Development, for a family of four (see footnote above).

⁷ "Business Plan," pp 8-9.

jobs. The temporary or seasonal workforce has significantly different requirements, and many landowners are reluctant to rent to this sector of the economy because of the unpredictable nature of this group in terms of employment, financial capability, and behavior or charge them high rent for substandard and overcrowded units.

TRPA Policies and Housing Role

Review of the TRPA Code of Ordinances illuminates several issues with regard to the development of both moderate income workforce and low income affordable housing. Of interest are the talking points in the TRPA's Socio-Economic Resource for Pathway 2007. Although they are intended for discussion purposes only, the base goals for the region, sustainable employment and earnings, workforce housing, pedestrian-friendly town centers, a stable socially cohesive community, and an efficient and balanced regulatory framework are consistent with the desires heard throughout the interview process.

Chapter 33 of the code describes the methodology for allocation of residential units and tourist accommodation units (TAUs) in addition to other uses. Simply stated, the TRPA severely restricts the yearly allocations for residential units. The maximum yearly allocation for Placer County for the years 2003 to 2006 is 66 units per year. The result of these policies is an almost complete reliance on the transfer of allocations and the retiring of properties from development. Multiple-unit projects that will invariably outstrip the yearly allocation must rely on a reservation pool or be reserved against future allocations.

In the code, the TRPA exempts affordable housing units from the allocation process. Once the affordable housing is created, TRPA code requires it to remain so in perpetuity, or be counted against Placer County's allocation pool, which limits homeownership opportunities for moderate-income families.

Multifamily housing is the primary product associated with affordable housing. One aspect of the TRPA ordinance is a potential deterrent to rehabilitating existing multifamily housing. Specifically, the TRPA allows the conversion of legally existing multifamily dwellings of six or more units, pursuant to its code, to fractional housing TAUs.

TRPA ordinances also control the site layout, height, coverage, and floor area ratio of development, and this will significantly shape the future of housing development in Tahoe City and Kings Beach. An aspect that must be explored to meet the housing demand is the ability to increase building height for reduced land coverage, and

additional height in special height districts.⁸ Compounding the complexity of identifying the development potential of residential parcels is the Individual Parcel Evaluation System or IPES, in which all vacant residential parcels are ranked in each local jurisdiction from most suitable to least suitable.

Physical Development Issues

Physical Form

A fundamental asset and liability of the region is the physical form of a road ringing the lake with development on either side. The linear nature of this configuration promotes a stringing of small development pockets along the road in a rural configuration. Development is nearly continuous from Tahoe City to Kings Beach, and as a result, there is no consolidation of development to create active, vital town centers. As a result, most local residents and seasonal visitors are required to drive to their destinations.

The highway bisecting the communities creates a daunting barrier to pedestrians who find few controlled crossings and tend to dash across at breaks in vehicle traffic. Even in the more densely developed areas there is no sense of a pedestrian realm along the road, particularly in the winter when snow is pushed along the edges of the roadways. Pedestrian access from the land side of the highway to lakeside beaches and parks is often circuitous or dangerous, and often difficult to identify. The overall pedestrian experience is one of fear and frustration.

Much of the lakefront, with the exception of the main state park beach and adjoining Conservancy property, is taken up by privately owned homes limiting access for the public and for visitor-serving lakefront development. While the draw of the area is the lake itself, little has been done to emphasize the asset while protecting its natural beauty and fragile environment. A new development at a key view corridor (near the intersection of State Route 267 and State Route 28) almost completely blocks views of the lake and privatizes the lakefront at this primary intersection

Aesthetics

The entrances to the north shore communities are a deterrent to visitors. They appear as under-serving, often blighted and void of the kinds of activity that will draw economic interest.

- While there are private initiatives underway at these entrances, there continues to be a lack of comprehensive oversight in what the physical form of these important communities should be.

⁸ Conversely, the methodology of the TRPA's Table A increases height for higher pitched roofs, effectively rewarding the building of unusable building volume.

Overall, the physical form of the area is one which appears “tired” and in decline.

- This appearance is exacerbated by many landowners who have held their properties for years and have little incentive to make improvements and even general maintenance.
- There are several development interests in both communities frustrated by this neglect, by the lack of enforcement of code violations, and by the general lack of consensus in visioning how the area can and should redevelop.

Development Rights as Commodities

For the most part, development rights are commodities; a condition which is atypical for California. The treatment of these rights as commodities exacerbates the seemingly haphazard patterns of redevelopment as developers purchase and move rights from one site to another without considering the overall community form and health.

- There are many older “difficult” properties that are left to languish while profit-driven development interests transfer rights to less difficult sites.
- Because many parcels are small as a result of initial subdivision, land assembly becomes a fundamental criteria for redevelopment.
- As landowners and speculative developers attempt to consolidate land for cohesive development, they bypass parcels that may have ownership, environmental, or other development issues.
- Parcel configuration in conjunction with coverage, parking, and environmental site constraints makes site design difficult.

Economic Base

The existence of a stable employment base is an important aspect of healthy communities. The North Tahoe region faces some challenges with regards to its employment composition as well as its retail and services sectors. Greater than 50 percent of the employment base of North Lake Tahoe is in the retail and leisure sectors.⁹

- The economic base is vulnerable to resort seasonality and weather (e.g., snow or the lack thereof).
- The stable middle class jobs associated with professional service, high technology, and research and development sectors are nearly non-existent in the area.

⁹ Dean Runyan Associates, “The Economic Significance of Travel to the North Lake Tahoe Area: 1997-2002 Detailed Visitor Impact Estimates,” p. 40.

Resort areas in similar settings near major metropolitan areas, such as Park City, Utah, have shown promising signs of attracting a more diverse array of businesses to their high amenity, attractive resort areas. Based on the area's quality of life and the quality of the sole-proprietor "lone eagles" North Tahoe has attracted, and the international clientele that flock to the area each year, the basic pre-requisites for creating a more balanced economy, perhaps including specialized research and technology sectors, are in place. One possible option is to attract high technology businesses such as other areas in the Sierra Nevada (e.g., Grass Valley) have done successfully. EPS has identified one such research and development business located in the region which may serve as a model for other businesses requiring an educated workforce.

- Candidate themes for such businesses may include ecological products and services and green technologies.

Small, home-based businesses are dominant in the region. More than 29 percent of local businesses are home-based along the Crystal Bay to Tahoe Vista section of the north shore, according to the North Tahoe Business Association (NTBA) Economic Steering Committee's report.¹⁰ More than 70 percent of the local businesses are sole proprietorships in this area.¹¹ These businesses primarily rely on word-of mouth marketing.

Potentially fatal flaws in the area's infrastructure that may preclude economic-diversification concepts are the lack of local workforce housing, lack of the services these professionals seek in their communities, and lack of high-speed communications services, as well as poor condition of mass transit options including connections to Reno.

Seasonal Fluctuations

According to the Draft Truckee Seasonal Worker Housing Study prepared by Bay Area Economics in 2003, seasonal industries¹² had 6,800 employees at the peak (January through March) and only 2,100 jobs during the month of October. The ski resorts enjoy peak periods during the winter months and into early spring, while the lakeside communities are busiest during the summer.

- It was mentioned that some businesses would prefer to close during periods of the spring and fall when business demand is minimal (the "shoulder season").

¹⁰ Sierra Economic Development District, "Main Street Business Survey Report" for the NTBA.

¹¹ Ibid.

¹² Defined in the Truckee Seasonal Worker Housing Study as construction, arts, entertainment, recreation, accommodation and food service employment sectors.

Retail Performance Indicators

There is a significant amount of poorly located, out-of-date structures in the market area. The architecture is aged or unattractive in many cases.

- There appears to be a lack of incentive to update among property owners.
- In some cases, rents have increased despite rising vacancies, with reports of retail lease rates approaching \$3.00 per square foot, while vacancies are approaching 30 percent in Tahoe City.

This fact of high rents simultaneous with high vacancy rates indicates the retail market is dysfunctional. In normal circumstances, marginal properties would be demolished, rezoned, and redeveloped.

- Resorts are capturing visitor spending through on-site retail, some of which may be subsidized and some of which attracts spending from full-time residents near lakeside similar to a regional mall effect.
- Corporate meetings are more attracted to conference centers at Squaw Valley, for example, than lakeside venues such as the Kings Beach conference center, even during the summer season when lakeside areas should enjoy a competitive advantage.

Identification of retail segments that can compete with resorts during the winter months will be crucial, but in practical terms the major issue seems to be a lack of major tourist accommodations and entertainment in the towns.

Specific Retail/Services Sector Gaps

- Locals reportedly would like to see more women's apparel shops, business supplies, mail center, organic health foods, dry cleaners, and shoe stores.
- It also was mentioned several times that there is no luxury spa overlooking Lake Tahoe in this area.
- Other possibilities include hardware and convenience stores offering goods at reasonable prices affordable to low- and moderate-income families.

There is fluidity between the communities of Kings Beach and Tahoe City. Given the limited amount of businesses that have quality goods and services, some residents drive between these communities for goods and services. It may not be necessary for each community to be self sufficient.

Tourism

Changing Visitor Profile

- Many comments among Kings Beach and Tahoe City representatives indicate a gradual change to day-trip visitors not interested in spending the night.
- At the resorts there appears to be an increase in families interested in the “total resort experience” offered by the redeveloping and expanding facilities. These consumers span a wide age range, are interested in shopping and dining as much as skiing, and are largely more concerned with value than cost.
- Weaknesses in the Tahoe region reported by visitors in general include congestion, lack of pedestrian areas, lack of lodging variety, a lack of evening entertainment, and a lack of access to the shore.

Visitor Accommodations

It appears that an opportunity exists to push for a general conversion of rental properties to fractional properties to increase the effective population of the region and better support local retail, entertainment, and resort venues. Some product types, such as condos, are more conducive to this, while detached single-family residential properties may be less conducive. Overall, condominiums and housing product with fractional ownerships seem to be carrying higher land values and profitability than hotels, creating incentive for redevelopment.

- There is a gradual thinning out of small, independent hotel operators who are struggling to maintain business viability.

Transit

Lack of Mass Transit

While gains have been made to increase service levels, mass transit remains a key element of strengthening the regional economy.

- Currently, many lift operators and other employees resort to hitchhiking from Kings Beach or Truckee to their jobs. These hardships contribute to turnover and ultimately undermine the local economy.

Many resort areas around the United States and the world have done a better job in this regard and offer models for the Tahoe region to follow. This issue seemed to be different for each community: In Kings Beach, there seems to be a need for transit that serves locals who may not have cars, and to provide transportation for workers and to purchase goods and services not available locally. In Tahoe City, there seems to be a need for transit for visitors in the town itself, along waterfronts and to and from ski resorts.

In the current urban form, mass transit serving the interests of Tahoe City and Kings Beach is ineffective. Transit nodes with concentrated development within walking distance are fundamental to creating sustainable ridership.

Parking

There needs to be a systematic approach to providing parking solutions. The Redevelopment Agency is buying land for surface parking at prices equivalent to that of building structured parking. The effectiveness of these lots largely will depend on their proximity to desirable uses, their visibility from major intersections, and dependable snow removal during winter months. In addition, creating approximately 315 square feet of site coverage to park a single car clearly is not the most effective use of the tightly controlled developable land. If phased correctly, modestly scaled structures can be attractively developed in conjunction with mixed use projects in a cost effective manner adjacent to major activity nodes. The NTBA Economic Restructuring Committee Report polled local residents' preferences for a central structured parking unit versus several smaller parking units, and residents were evenly split on opinions of which to do.

Government

Regulatory Barriers Posed by TRPA

As a multiple-state organization, the TRPA has the responsibility to balance economic vitality with environmental protection. While these two interests are not fundamentally opposed, they must be carefully considered to maintain balance. Height restrictions, unit and coverage allocations, and design standards are all used to protect the lake views, water quality, and other environmental resources as development proposals are evaluated. Given the complex set of ordinances the TRPA employs to shape development, it is confusing to hear local residents speak about projects that clearly fail to preserve the goals of the TRPA.

- According to interviewed stakeholders, the TRPA does not act as a partner in the development process, but instead is seen as a series of hurdles to negotiate, and the TRPA is viewed as an opponent.
- There also is a problem with the allocation of available commercial floor area between community plans that may need to be solved with a more regional approach, such as North Shore allocation, rather than specific community plan allocation.

The amount of development interest in the area, coupled with the perceived and real processing difficulties of projects in the TRPA jurisdiction, is encouraging development in surrounding non-TRPA communities such as Truckee.

- Experienced developers will not take on risk posed by TRPA regulations leaving less experienced developers to make attempts.
- The regulatory burden is rendering some projects financially infeasible.
- Sophisticated developers appear to be dealing with the upper echelons of TRPA at project initiation and bypassing local planners, which works to defeat the purpose of review systems and can increase bureaucracy.
- TRPA does not permit land division, so projects that include ownership of workforce affordable units cannot occur, and there is a lack of moderate income for-sale housing in the basin.
- Permit allocations can expire after the project is approved. Because it may take time after TRPA approval to get financing for project, the allocation can be jeopardized.

Placer County is working to update Chapter 15 of the TRPA Code to include special redevelopment regulations that should make it easier for projects to go through process in Kings Beach and Tahoe City.

Barriers Caused by the Requirements of Multiple Jurisdictions

The overall regulatory environment in the North Tahoe region is complicated and requires planning rigor as well as resources to maintain projects through pre-construction phases.

- Environmental reviews are taking too long and regulations are too complex.
- It is common for developers to hire consultants to navigate the regulatory process.
- Most projects require an environmental impact report, which requires a significant amount of time and adds expense.
- The lengthy regulatory process was mentioned as a contributing factor to the failure of the Cedar Grove workforce housing project.
- It may be that too much discretion is given to individual planners, which creates a lack of predictability in the review process.
- In some cases, projects are approved at the County level but denied by TRPA.
- South Shore has unique redevelopment requirements that may lure developers there rather than to North Shore, which has to play by standard TRPA rules.
- Tree mitigation fees have been identified as a constraint. Developers who are trying to preserve trees are saving money but end up with subpar site design.

- Parking requirements were mentioned as a constraint to development. Potential to share parking between projects and sites could improve the quality of development proposals.
- Redevelopment of property requires upgrades to meet code and disability requirements that often are too expensive for the local property owner.
- There is concern that reduced fees for affordable housing infrastructure (as an incentive) would have to be made up by other rate payers.

Government Relations

There is general consternation that Placer County government's physical presence is fragmented, with substantial interest in moving all local functions into Placer County and clustering as many functions as possible at one site.

- The Kings Beach region is often brought up as a candidate because of available land (e.g., the batch plant in Tahoe Vista) and the potential for injecting new investment into the community.
- There are general observations that there is not enough progress on key issues, that local leadership is weak, and without local representation and a more robust group of local leaders brought about by a larger permanent population, it will be difficult to effect positive change.
- The approach taken by the Redevelopment Agency has been to provide tools to community leaders to empower them to help themselves with government support and financing. The past 18 months has seen the formation of both the NTBA and Tahoe City Downtown Association.

In addition, TRPA is physically located on the South Shore and is not readily accessible. This is changing, with the TRPA currently soliciting bids to house staff in approximately 2,000 square feet along the North Shore.

KINGS BEACH-SPECIFIC FINDINGS AND ISSUES

Urban Form

For many years, Kings Beach's urban form has been a collection of family-oriented motel accommodations, strip retail experiences, and low-quality housing development on sites that were originally considered as campgrounds. The primary physical characteristics of the area are a public beach, a historic golf course, and several destination restaurants. However, all of this is overshadowed by the low quality and disrepair of existing development along the strip from Stateline to the junction of State Route 267. Once off

the main highway, the community becomes a collection of primarily low-quality residential uses and trailer parks.

The entrances to Kings Beach currently announce the community as an underutilized and blighted community. Abandoned gas stations with absentee ownership significantly impact the image and potential of the community. While a tire repair station may be a good retail use for a highway-oriented community in snow country, locating it at a highly visible entrance to the community should be reconsidered.

- Many feel that poor “arrival experience” should be a high priority for initial phase of a redevelopment program.

Development Opportunity

There is single-party ownership of a prime tourist accommodation location in the heart of Kings Beach and the owner has begun acquiring several of the surrounding properties. Because of its location, fronting the highway, extending to the beach, and being adjacent to the public beach and conference center, this property has the potential to provide a destination resort and act as an economic catalyst for the area. There are, however, real issues with regards to redevelopment of the property. First, there are several blighted properties in the immediate surroundings, and if they cannot be acquired, they will diminish the value of any development. Second the property owner has been host to a predominantly middle-class summer clientele, and redevelopment may cost the owner this important part of their income stream. Third, a partnership with a developer with experience in the complex regulatory environment could provide a catalyst for project initiation. The owner has indicated that there is a substantial capital investment in acquiring the surrounding properties and, therefore, is under some economic pressure to move quickly. This may not be possible given the processing requirements of the TRPA.

Accommodations

There appears to be strong demand for a multitude of visitor and resident accommodations. The natural beauty of the area and the general scarcity of development opportunities, combined with a rebound of the hotel industry and positive visitation outlook, indicate likely enthusiasm for significant higher end hotel accommodations if entitlements could be processed.

- Rehabilitated motel properties are garnering between \$150 and \$175 a night and \$350 a night in peak season.
- Fractional properties and timeshares also are strong prospects, as are single- and multifamily housing products, as evidenced by developers moving forward aggressively with projects even though incurring costs of \$300 per square foot, including TAU costs of \$20,000 per unit.

Affordable Housing

Trailer parks are a primary source of affordable housing in the King's Beach area. Business owners are both grateful that there is at least some housing for the workforce, and anxious because of the general image they present and the history of crime and blight associated with these areas. The parks offer land owners significant income for minimal investment and thus, there is no incentive to redevelop these parks. A thoughtful program will need to be developed that emphasizes the retention and expansion of workforce housing. Unless density incentives that directly affect the developers' rate of return are introduced, there is little chance that these parks will see any change in the near term. TRPA will need to be involved in crafting a model to systematically replace these units with affordable alternatives that have the potential of more density and less coverage.

- True entry-level rents in this community range from \$350 to \$400 a month based on minimum wage employment, a forty-hour work week and 30 percent of income to pay for housing expenses.
- Kings Beach may have a particular need for three-bedroom apartments.

Code Enforcement

Improved code enforcement will send investors and property owners a clear message that Placer County is serious about enforcing standards and that the area is a safe and predictable environment for significant investment.

Walkability

Because the highway widens from two lanes to four lanes at the entrance to Kings Beach, traffic flows dangerously fast, creating a hostile environment for pedestrians interested in exploring the town. The lack of controlled pedestrian crossings, and the linear nature of the community exacerbate the danger. When snow is pushed into the pedestrian paths, pedestrians are often forced into the roadway. Right lanes are negated when parallel parking occurs, and left lanes are negated when left turn movements occur.

- The lack of a concentrated core of commercial activity that would mitigate the necessity of continuous highway crossings was raised as an issue to be investigated.
- Implementation of a three-lane road with roundabouts and a "suicide" lane in the middle to accommodate left turns may improve conditions significantly. Loss of parallel parking would need to be mitigated.

- Sidewalks are needed to create a safe pedestrian-oriented retail environment as part of a commercial core project (including lodging), and so that business supporting recreation activities are easily accessible.
- Snow storage takes up parking spaces and is pushed to parallel parking spaces along the highway. If a streetscape improvement project was to be implemented, businesses along the highway will lose the snow storage area. It is infeasible to truck snow to regional park or other locations.

Conference Center

Current performance of the Conference Center is suboptimal. There are three primary reasons for this. First, the conference center itself lacks the kinds of high-quality, lake view spaces that would make it a destination. Second, the surrounding accommodations are not at the level that conference organizers can use to attract participation. Third, the overall lack of retail, dining, and entertainment amenities surrounding the conference center will not allow it to be competitive.

- It needs major investment, such as a second story with lake views, and integration with improved visitor accommodations.

Recreation

- Kayaking, a deep water pier, and indoor sports and training centers have been mentioned as possibilities for additional recreational opportunities with an emphasis on summer activities.
- The area houses service employees interested in a broad spectrum of activities. Many are parent-supported young people taking a reprieve from college, possibly with ample spending power. There may be opportunities to cater to this market through provision of x-game sport venues, as are being successfully carried out at the resort complexes like Northstar and Sugar Bowl.
- It is imperative that “walkability” of Kings Beach be improved to allow for expanded recreational opportunities, and associated events to flourish.

Infrastructure

There are many issues with regard to the adequacy of infrastructure in Kings Beach:

- The number of water service accounts has not increased over time, but demand has increase because of increases in household size (sharing of trailers and accommodations), as well as spikes during heavy visitor periods (e.g., the 4th of July). Because Kings Beach was originally a campground, the size of many of the water pipes is not adequate to handle the unanticipated flow volume.

- Many water lines are located in rear yards. The planned project to relocate these lines to the streets may be able to piggy back with other utility/infrastructure (e.g., power lines).
- Leaks in water lines will require upgrades.
- Sewer line capacity does not appear to be an issue, but upgrades are needed at the lift stations.
- It is difficult for the Public Utilities District to plan for future growth given the instability of the regulatory environment and the appearance and then disappearance of projects.
- The high water table makes subterranean parking or development infeasible, and some sewer lines apparently are at or below high water line of the lake.

Concern has been registered about development limitations associated with contamination in the ground throughout Kings Beach. More information regarding key parcels that have contamination and therefore would be costly and time-consuming to redevelop, in addition to those located at the gateways, would help to evaluate the significance of this potential issue.

TAHOE CITY-SPECIFIC FINDINGS AND ISSUES

Urban Form

Tahoe City's current urban form is essentially that of a series of strip centers with marginal connectivity and pockets of blighted properties including vacant shops. Because of the distance of the highway to the lake, several layers of development have, over the years, severely limited views and easy access to the lake. The "Y" has always been the entry to town and major retail activity has clustered around this area. However, negotiating the area is difficult in vehicles and nearly impossible as a pedestrian. Public amenities such as a golf course and the lakefront park are hidden and underutilized. The poor urban form of Tahoe City is compounded by a lack of pedestrian amenities.

- If correctly repositioned, the town can take on a small town charm offering something other than a "canned" resort experience, including eclectic local shops, quality lodging, and a true town center.

Demographic Shift

- Tahoe City's demographics are changing because of a decreasing full-time population, reductions in the number of families, decreasing school populations,

aging households, and a preponderance of second vacation homes that sit empty much of the year.

- The population reportedly has been reticent to levy new taxes to pay for community facilities and services, although the community has been very good at fundraising for public facilities, such as the North Shore bike trail.
- The demographic profile appears to be evolving into a more conservative, older group interested in maintaining the status quo.
- It may be necessary to make regulations supportive of new mixed use prototypes and to provide reasonably priced housing for the workforce.

Accommodations

Tahoe City lacks any noteworthy accommodations with only about 250 rooms in lower-end motels and physical separation from the only resort type accommodations at Granlibakken. Tahoe City currently occupies the “end of the road” because Truckee has become the regional service center and the resorts have recreation, retail, and housing.

- Tahoe City and its vicinity has been characterized as a scenic lake destination, with dining and some shopping opportunities, but is rarely mentioned as a destination.

Marina Capacity

- The Marina is unable to respond to peak demand during the summer.
- Efforts to expand it have thus far been slowed by regulatory issues.
- Concerns have been raised that adding additional accommodations to this area will only raise the frustration levels of visitors who cannot find enough to do during summer months in Tahoe City.

Retail Performance

Some long-time commercial property owners continue to perceive Tahoe City as a special place able to command high rents, when in reality it appears to have lost its competitive edge.

- Concern has been raised that many existing merchants are somewhat complacent, not pushing the envelope to market to new segments or otherwise evolve their strategies to become more competitive.
- Many of the existing retail establishments that are occupied are substandard with landowners expecting tenants to make required improvements without providing lower rents or other incentives.

- The vacancy rate in Tahoe City has more than doubled in 9 years from about 7 percent in 1987 to just over 15 percent in 2006.
- The lack of local retail demand partially stems from a lack of local accommodations and the poor condition of accommodations in Tahoe City.
- Historically, the west Tahoe area has long been considered an area of excellent restaurants. It may be possible for Tahoe City to expand on this long-time market identity.

Retail demand may continue to dwindle without a demand stimulus in the form of redevelopment and new development delivering viable housing and accommodations in the immediate area.

Transit Connections to Resorts

The concept of a tram or funicular connecting Tahoe City to one or more resorts has been raised and appears often in background reports. This is a valid point insofar as connections to Lake Tahoe need to be made; however, it is a very long-term concept. There is an excellent ski area with runs almost reaching the lake at Homewood on the west shore. Tahoe City is positioned centrally between Alpine/Squaw and Homewood making it a good base for connections between these resorts.

Golf Course

Limitations posed by stream environment zones on the golf course property may make redevelopment of this site potentially infeasible; however, there is a lack of land for new development throughout Tahoe City if the golf course cannot be used. Redevelopment of this project site would require an amendment to the Community Plan.

RECOMMENDED NEXT STEPS: MARKET ANALYSIS, REGULATORY ANALYSIS, AND SITE EVALUATIONS

EPS will meet with Placer County staff to discuss the results of the initial phase analysis and collectively determine key areas for market and development research. A description of potential next steps to complete the market study is below. **Table 1** below presents the broad topic areas and study implementation measures and goals.

RESIDENTIAL DEVELOPMENT EVALUATION

- Affordable (workforce) housing is an implementation issue, not a question of demand. Recommendations should draw on experience of successful affordable

- housing developers in the region and successful strategies from similar resort-oriented jurisdictions.
- Housing strategies should distinguish between employees employed by major resorts versus other employees. For non-resort employees, the analysis will evaluate Placer County policy specific to 1) non-resort service employees (apartments), and 2) middle-class full-time residents (condos, duplexes, and smaller single-family residential).
 - Further evaluate Placer County regulations regarding mixed use and employee housing development, as well as best sites for such development. It will likely be necessary to combine residential and commercial uses to make such projects financially feasible, implying the need to consider some conceptual prototype developments.
 - The potential for strengthening requirements aimed at requiring resorts to provide housing for their employees should be further evaluated.
 - The viability of housing serving households at 80 percent or even 120 percent of area median income pricing structures, given current land and construction costs, must be evaluated to determine how to meet current and future demand.

TOURISM AND LODGING ANALYSIS

- Determine what incentives are available to encourage condominium owners to lease units to make rooms available for timeshare/fractional use for a certain percentage of the year to encourage year-round use.
- Gather and analyze data on transient occupancy tax and tax increment generated by resorts. Provide strategies with regard to using these resources to subsidize lakeside communities.
- Conduct visitor accommodation analysis. Analyze hotel performance data for a select subset of hotels. Interview land developers and operators of major flagship hotels to gain perspective on North Tahoe's reputation as a visitor market. To the extent transient occupancy tax data are isolated for North Tahoe area, review the trend line.
- Consider optimal mix of product types based on market depth and feasibility concerns.

RETAIL/COMMERCIAL ANALYSIS

- Evaluate baseline conditions and talk to Economic Development organizations in Reno/South Lake Tahoe regarding the ability to diversify local economy and attract more “basic” economic functions if housing issues can be mitigated, resulting in additional mixed use development concepts in each area.
- Evaluate expenditure potential for North Tahoe and assess reasonable magnitude of local supply based on competitive position. Determine the best source of retail supply data available. Elaborate on the role of visitors in supporting regional retail and how environment can be improved with balanced strategy of improving residential base and visitor accommodations. Key questions to be answered include these: How much retail is provided by resorts? How much retail business do the resorts draw from local residents?
- Determine tenanting strategies based on competitive position of communities during winter and summer seasons. It appears that summer is the peak season for Kings Beach and a second-tier peak for Tahoe City. These observations need to be substantiated. While summer activity provides a boon for lakeside communities, it is likely not drawing the strongest spenders, which is a divergence between summer and winter visitor characteristics. This situation may support an approach to target middle-income visitors in Kings Beach. It is possible that Tahoe City has the potential to appeal to a more affluent market segment if linkages to ski resorts can be improved. However, there must be some “flexibility in market segmentation” to appeal to and accommodate a broad range of visitors in the shoulder seasons.
- Evaluate strategies for strengthening winter activity at lakeside. What market niches might have development potential (e.g., hockey/skating rink)?

GOVERNMENT REGULATION

- Examine the possibility of the Redevelopment Agency or Placer County formalizing a TAU bank as it does for commercial floor area inventory to keep track of the locations of available units.
- Further focus should be applied to evaluate applicability of TRPA process modifications (provided for South Shore redevelopment areas) to the North Shore.
- Analyze the ordinance and process of the TRPA to determine how appropriate development proposals can be used to provide economic vitality, workforce housing, and environmental protection.

Table 1
Kings Beach/North Tahoe Land Demand Study
Recommended Study Implementation Measures

Subject	Issue	Research	Goal
Workforce Housing	Insufficient supply, restricts ability to diversify economy and improve overall conditions	Need is well documented Identify successful implementation measures	Program and policy recommendations Specify housing's role in improving local economy and the retail and visitor accomodation environments.
Retail	High vacancies, marginal businesses Lack of incentive for improvement	Targeted market analysis with focus on increasing local spending potential and mixed use integration	Identify appropriate amount and type of retail given housing and visitor potentials Revitalization strategy Advise on optimal form
Visitors	Sufficient recreational amenities? Feasibility of hotel and resorts to spur revitalization	Target market analysis with focus on mixed use integration and identification of most promising niches	Recommendations regarding hotel, resort, and recreation development niches and mix
Transportation	Mass transit availability for remote workers Linkages between communities and resorts Deterrence to pedestrian-friendly shopping	Evaluate in context of market analysis	Recommendations for improvement to support land use outlook Prioritize implementation projects
Barriers to Development	Regulations contributing to high risk, precluding most promising prototypes. Infrastructure inadequate to support development	Review significant regulations Assess current infrastructure	Recommend regulatory changes Identify key public works projects
Community Identity	Unappealing structures and parcels No sense of place	Site specific issues	Recommended uses, programs, locations and proposed implementation

"implementation"

APPENDICES

APPENDIX A: STAKEHOLDER INTERVIEW LIST

APPENDIX B: STAKEHOLDER ISSUES MATRICES

The logo consists of the letters 'EPS' in a white, serif font, centered within a dark teal rectangular background.

Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

APPENDIX A

STAKEHOLDER INTERVIEW LIST

APPENDIX A

INTERVIEWEES

Eric Brandenburg
Terry Dyer
Paul Dyer
Bruce Eckerson
John R. Falk
Dave Ferrari
James Gardiner
Peter Grant
Cindy Gustafson
Chaz Hacking
Carol Hester
Pam Jahnke
Leah Kaufman
Alex Mourelatas
Andy Otto
Bob Lourey
Jim Phelan
Steve Rogers
Steve Teshara
Ron Treabess
Tom Turner
Kurt Wegener

EVENTS ATTENDED

North Tahoe Regional Advisory Council Meeting, February 9, 2006
Tahoe City Downtown Association Annual Meeting, February 15, 2006
North Tahoe Business Association Economic Restructuring Committee Report
presentation, February 23, 2006

APPENDIX B

STAKEHOLDER ISSUES MATRICES

Note: The following tables present a compilation of information gathered by EPS and its subconsultants during stakeholder interviews and attendance at the public meetings listed in **Appendix A**. The tables do not contain independent consultant analysis or recommendations.

Table B-1	Stakeholder Issues Matrix—General Region (2 pages)	B-1
Table B-2	Stakeholder Issues Matrix—Kings Beach (2 pages).....	B-3
Table B-3	Stakeholder Issues Matrix—Tahoe City (2 pages).....	B-5

GENERAL REGION		
Subject	Problems/Constraints	Solutions/Ideas
Workforce/Affordable/Moderate Income Housing	Lack of workforce housing is number one issue Impossible to house and retain young professionals Upcoming professionals leave, have marginal workforce Bonus housing units have not been successful Lack of subsidy funds for wf housing PUD cannot lower fees for wf housing TRPA wants housing at 80%, but won't pencil. Occasionally permit 120% Always an issue but more now bec. have fewer units Lack of leadership on the issue	Build wf housing into commercial node projects Re-define mixed use to allow for housing TRPA waive some coverage fees for wf housing Maybe get TRPA out of housing program Mechanism for acquiring land Streamline regulatory process for wf housing Get wf housing issue in Pathway 2007 Increase density Incentives for employers to invest in wf housing Dedicated resources from TRPA to help through planning process Modifications to motel conversion regs Modifications to mixed use definition within TRPA code
Regulatory Barriers/NiMBYism	TRPA restrictions encourage development in competing areas Creates uncertainty, Increases risk Experienced developers attempt so smaller developers try but usually fail. Entitlement process is a major constraint Multiple development requirements (County and TRPA) Rules that don't differentiate between commercial and residential TRPA density restrictions (2) Property values are dictated by entitlements View requirements TRPA afraid of making changes and opening up loop-holes Lack of predictability with TRPA Mixed use height limit Get fewer units for mixed use than residential alone Cost of tree mitigation (\$100 per inch per base breadth diameter) Time costs of reg. make projects infeasible Parking requirements are difficult TAUs hard to track because market is private Adds to time costs, Planning Department is strictly punitive. Not helpful with problem solving TAUs can go for \$20,000 each Density is a problem for mixed use development 2nd homeowners are protectionist and don't want their vaca. dest. to change League to Save Lake Tahoe creates larger barrier than TRPA	Permit housing in commercial nodes Accommodate mod. income housing in TRPA code Allow moderate income housing to be for-sale Community Plans are critical delivery system for change Single set of guidelines More open channels of communications Lower TRPA fees This study should provide clear evidence to present to TRPA Show what should go where, be sustainable Demonstrate need for commercial floor area Land use planning for industrial uses Have a regulatory program with HELP from County staff Provide clarity about what can and cannot be done No discretion to individual planners TRPA should differentiate between urban and rural Scenic standards shouldn't be applied uniformly
Government Relations/community services	No one is leading a collaborative effort for North Shore Lack of leadership, capital and community will	County presence should be centralized and local Financial strategy Need more PR re: good things that County does Educ. Re: cumulative effects of redevelopment Redev. Agency should provide more \$\$\$ for "good things" Parking mitigation fee more palatable if clear what will be used for
Transportation	TC Marina is set up to be terminus for water taxi but not set up to run one. Parking mitigation fees more palatable if know what funds used for	Centralize parking Use alternative means of transport Bring people to Lake Tahoe with alternate transport TC marina for North Shore ferry Transportation hub is controversial but needed Need parking study/strategy

GENERAL REGION		
Subject	Problems/Constraints	Solutions/Ideas
Lodging/Visitors	Motels/hotels better than fractionals for revenue generation Run down motels get low rates How many destination resorts can area handle? Don't want North Shore to be on same scale as South Shore	Allow fractionals so more families can enjoy the lake
Recreation/Destination Amenities	TRPA struggles with recreation TRPA tries to dec. rec. impact on lake but allows more lodging Recreation is tapped out, can't keep up Marina example of not allowing more boats	
Economy/Retail	Marginal business owners, grown from people who "never leave." Seasonality of businesses Marginal business owners have no drive for excellence Cost to remodel Unwillingness of lessor to lower rates Seasonality of workforce and business How do you split visitor/perm facilities to provide sustainability Squaw has forgiven rents to help retailers Tahoe City is more desirable than Kings Beach	Workforce housing More professional workforce Local marketing Year round indust (green building, high tech,, non-prof. center) Emphasize ecological products and services Attract businesses with a professional base Consolidate the community w/ increased density Develop mixed-use nodes Provide a vision and show opportunities for locals Provide industrial - support bus., storage. Sierra Nev. College - science and research, green bldg indust. Developers will use our report to revitalize areas Tie into ski area
Image	Resort assoc. promotes South Shore more than North	Study to show opportunities and help NLTRA alloc resources Need significant code enforcement for next 3-5 years Use Redev. Agency to fund code enforcement Focus on fabric first, then parking
Demographics	Harsh weather drives away permanent residents	
Infrastructure/Environment/Physical Constraints	Parcel configurations (shoebox) Lack of developable land Old sewers - only 15 yrs left Sewer lines at or below high water line Water distribution Water connections haven't increased but demand has Consumption has increased but number of accounts has not Eventually development will have to bear cost of upgrading facilities Snow load requirements increase development costs	Water rights are sufficient PUD wants to partner with County at Cement Plant PUD work w/ Redev. For master plan/comprehensive system TOT rate was increased by 2% to fund infrastructure improvement

"general"

**Table B-2
Kings Beach/North Tahoe Land Demand Study
Stakeholder Issues Matrix - Kings Beach**

KINGS BEACH		
Subject	Problems/Constraints	Solutions/Ideas
Workforce/Affordable/Moderate Income Housing	Without trailer parks there is none Insufficient 2 - 3 br units End up with "shift living" No incentive to turn trailer parks into workforce housing Need more	Existing trailer parks are a good source Upgrade/rehab trailers Mixed use development
Regulatory Barriers/NiMBYism	Lack of code enforcement Reduction of TAUs w/ conversion/future development TRPA height restrictions Density reductions with redevelopment Can't get Tahoe Vista to the table Decision-making groups currently stacked with developers Commercial square footage allotment from TRPA Regulatory framework (TRPA) not economically viable If want to improve one thing, everything has to be brought up to code and too expensive ADA requirements Business relocation triggers reduction in density, may have to reduce coverage Inability to do mixed use and affordable housing are limiting KB potential Has exhausted commercial floor area allocation	Provide parking and height variances to support downtown theme Get area properly Master Planned CTC has a bank of TAU coverage that may be avail for commercial
Government Relations/community services	Not seeing enough change to meet expectations Any new gov. ctr should be off main st. No local government or administrator, insufficient permanent population to encourage positive change Local leadership is weak Façade improvement program was too expensive: paperwork, prevailing wage - so unpopular Lack of unified promotion of accommodations and rec opportunities Lots of transit riders but no community services for them	Need more citizen participation to decrease NiMBYs RDA should fastrack permits Building department is reasonable
Transportation	Through road is serving as highway to Incline Parking requirements Not pedestrian friendly	Roundabout at 267/28 intersection Reduce to three lanes Widen sidewalk Take parking off street If the town is aesthetically pleasing, traffic won't care if delayed
Lodging/Visitors	Want to keep value for middle class 2nd home/investment properties decrease econ vitality	Develop timeshares Design timeshares around conference center Concentrate lodging at lakefront to provide alt. experience from Squaw, Northst. destination resort that ties to lake and incl. golf and hotel
Recreation/Destination Amenities	Lack of rec opportunities Great beach but no supporting businesses Developer tried to buy mini-golf but deterred after learning how much community loves it	Develop deep water pier Second story on conference center (gym?) Market for winter and off-season Needs year round attraction Expand Brockway Golf Course

**Table B-2
Kings Beach/North Tahoe Land Demand Study
Stakeholder Issues Matrix - Kings Beach**

KINGS BEACH		
Subject	Problems/Constraints	Solutions/Ideas
Economy/Retail	<p>In a welfare spiral Lack of retail space. Existing space is run-down Can't get in touch w/ property owners Can't get business license Deferred maintenance on buildings - too expensive to bring up to code Improvements to commercial space will raise rents Lack of customer service because of transient population Lack of investment in community needs because lack of year-round residents Higher crime rate in KB causes businesses to locate elsewhere</p>	<p>Attract middle class to support businesses Relocate businesses (tire store) Develop potential for conference center linkages to surrounding businesses Need good dining Provide incentives for redev. (bmir loans, subsidize demo costs) Interest in space for cafes, restaurants, wine bar, furniture, food service Mixed use development Technological improvements for businesses Local services for local economy Concentrate tourist-attracting bus. Around Brooke Ave. Re-locate others Improve industrial zoned areas government center with services Mixed use development and government center as catalyst</p>
Image	<p>Unfavorable reputation Entrances bad at both ends Stigma associated with "lower income" drug use Unightly trailer parks Day laborer loitering Lots of old signs May want quieter identity</p>	<p>Fix blight and keep character Use traffic patterns to help dictate feel of the town Create a theme/concept and sit down with property owners Have been feelings of improvement in last few years Improve entrances, signs, businesses Change sign regulations Need community core in KB - "there." Will attract year-round residents Make a "statement" along the highway</p>
Demographics	<p>Population is transient KB is bedroom community for Hispanic workers going to Truckee and TC</p>	
Infrastructure/Environment/Physical Constraints	<p>Water lines antiquated an mis-located Snow removal is a big issue High water prevents underground parking Poor mapping of underground soil Underground tanks Sewer/water capacity KB water lines set up to serve KB as a camp ground. Too small to handle pressure May need a new water tank to support new dev.</p>	<p>Use conservancy land for snow storage</p>

"kings beach"

**Table B-3
Kings Beach/North Tahoe Land Demand Study
Stakeholder Issues Matrix - Tahoe City**

TAHOE CITY		
Subject	Problems/Constraints	Solutions/Ideas
Workforce/Affordable/Moderate Income Housing	Reduced pool of rentals for full-time res. bec. investors/vacation homes School district can't get subs Illegal rental units bec. not allowed by TRPA Government employees commute from Reno Difficult for government to fill seasonal jobs PUD will have many retirements and will have difficulty filling positions	
Regulatory Barriers/NiMBYism	Insufficient TAUs TRPA is reason for decline of TC Increase in dev. costs due to TRPA regs, Community plan gave no entitlements Planning process prevents positive change Planning process is easier in Truckee - Truckee is commercial hub Coverage per parcel makes development impossible Homeowners Associations provide forum for NiMBYism Property owners group prevents positive change Second homeowners are vocal and oppose change Business owners want improvements but property owners don't Old guard doesn't want change	
Government Relations/community services	County is too remote from day to day issues Redev. improvement prog. isn't worth doing Lack of governmental leadership locally Community looks to PUD to address economic development issues	Move fire station to open up view corridor County needs to do a better job of "sprucing up" the urban cores. County should be buying buildings such as old motels Need senior level planner or redevelopment officer living in the area
Transportation	Traffic jams discourage people from parking/visiting Parking was a problem when tried to hold farmer's market	Gondola to Alpine Meadows Gondola to back side of Northstar Tram/funicular along main road instead of 3rd lane By pass in front of golf course Shuttle from resorts to downtown By-pass should be low key (Carmel)
Lodging/Visitors	Need more rooms to support retail Granlibakken is only 3 diamond resort & tucked away No high end properties in town Only 250 or so rooms More "quick and dirty" (i.e., day trippers) visitors who don't stay the night	Lodging near town but not too large scale Don't want to be a resort destination but want more lodging
Recreation/Destination Amenities	No ski in/ski-out ability More entertainment at ski resorts Younger crowd enjoys Squaw nightlife Old guard will fight loss of golf course	Better beach access Cultural tourism, historical aspects of town Expand existing facilities

**Table B-3
Kings Beach/North Tahoe Land Demand Study
Stakeholder Issues Matrix - Tahoe City**

TAHOE CITY		
Subject	Problems/Constraints	Solutions/Ideas
Economy/Retail	Architecture is aged/unattractive Run-down properties don't pencil to demo and re-build No opportunity - congested, few lodging options Businesses are moving to Truckee Dyer props. - 30% retail vacancy (0% in 2000) More units and amenities in Truckee More choices at ski resorts Better commercial space in Truckee Decrease in construction trade has had big economic impact High land values discourage redev. Intrawest formula of providing all amenities on site Intrawest subsidies for businesses during slow times High retail vacancies Truckee, Squaw, Northstar pulling away from TC in winter Retail rents increasing although sales are down Nice mix of resid./retail in 1930's - now too much conversion to retail Strong summer, have to weather winter months Squaw valley no longer just resort - now a marketplace Older property owners expect high rents although no longer competitive Younger crowd who enjoy nightlife bar hop in Squaw not TC TC has become 'end of the road' no reason to visit except see lake Hotel and retail vacancies are higher than ever	Small town charm vs. resort canned experience Successful bus. Now are ski and designer shops Be selective re: tenant roster Sonoma Model - lodging near center of town Need anchor project to bring tourists in Cater to upper-end services (Napa/Sonoma) Learn what second homeowners want Hardware stores One-stop shop for basic needs and lower inc. pop. Increase opportunities for nightlife/entertainment Reach out to second homeowners via newsletter to increase community involvement Specialty stores will do better - cater to tourists and 2nd homeowners Locals still want good coffee houses Need a nice quality hotel Need mixed use
Image	No sense of place, no common vision, no focal point Don't want to be a resort destination Vacancies in retail and restaurants make area less appealing Too many real estate. offices on frontage High end resort feel exacerbates problem of employee housing May want quieter identity	Improve gateway Existing residents don't want anchor project./change If gets too big character will change Need to focus on being a community Cape Cod a good model. Yr round community Rules about where real estate offices can locate like Nevada City has
Demographics	Decreasing full-time population (2) Families leaving, decreasing school population Declining school enrollment Secondary housing sits empty most of the year Campaign to build rec ctr failed bec. People didn't want to pay for it Populated by older people and 2nd homeowners	
Infrastructure/Environment/Physical Constraints		Plenty of sewer capacity Water capacity can be increased with system modifications Water rights are not an issue

"tahoe city"