

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **DECEMBER 10, 2013**

From:  **MARY DIETRICH / MARK RIDEOUT** 

Subject: **CABIN CREEK BIOMASS FACILITY – GROUND LEASE**

ACTION REQUESTED / RECOMMENDATION:

1. Approve the Ground Lease for the construction and operation of a Biomass Facility at 900 Cabin Creek Road in Truckee, CA between the County of Placer and Tahoe Regional Power Company, LLC, a California Limited Liability Company, at no net county cost.
2. Adopt a Resolution authorizing the Director of Facility Services, or designee, to administer on behalf of the County all provisions and responsibilities of the Ground Lease and take all actions necessary to grant and record a Memorandum of Lease and to grant and record utility easements deemed necessary to serve the Biomass Facility.

BACKGROUND: The County owns 292 acres, comprised of four parcels, located at the northern end of Cabin Creek Road in Truckee (See Exhibit A - Cabin Creek Property Map). The Cabin Creek Property is used for the Eastern Regional Materials Recovery Facility (MRF) and Transfer Station, a former landfill site, and the County's Department of Public Work (DPW) Tahoe Area Transit (TART) and maintenance facility.

In 2006, a Wildfire and Biomass Utilization Policy Team was created to look into how the County could be proactive in the use of forest biomass waste. In October 2007, your Board adopted the Wildfire Protection/Biomass Utilization Strategic Plan that provided direction to staff to develop a program to manage its biomass resources. As a part of that plan, County staff was asked to analyze, develop and permit a biomass facility, if feasible. Through this process, a site on the southern portion of the Cabin Creek Property was identified and studied. On May 7, 2013, your Board denied a third-party appeal and certified the Final Environmental Impact Report including the Addendum for the Cabin Creek Biomass Facility Project and approved the Conditional Use Permit for the construction and operation of a two-megawatt biomass electric generating plant (Biomass Facility Project).

County Community Development Resource Agency (CDRA) staff has been working with a private partner, Tahoe Regional Power Company, LLC (TRPC) for over a year to develop all facets of the project to build the Biomass Facility. TRPC is now performing its due diligence (e.g., determine economic feasibility, secure financing, and finalize power purchase agreements). An important component of this due diligence is the negotiation and finalization of a Ground Lease between TRPC and the County. Property Management has negotiated the lease terms wherein the County would lease a 2.76-acre portion of the Cabin Creek Property to TRPC for a 15-year term with two (2) 5 year options (see Exhibit B – Biomass Facility Site Plan).

The Lease's rental structure incorporates a developmental period requiring an initial rent payment of \$1,500 upon Lease execution, \$100 per month during the Tenant's Biomass Facility construction period, and \$1,749 per month upon commencement of the Biomass Facility operation. Thereafter, the rent is subject to annual adjustment based on the Consumer Price Index. Should the TRPC desire to exercise its five-year options, market-rate rental adjustments will be performed pursuant to the Ground Lease. In recognition of the current status of TRPC's due diligence, the Lease allows TRPC to cancel the Ground Lease at three distinct milestones: during the Tenant's Due Diligence

Period (270 days following the execution of the Ground Lease) at no cost to Tenant; during the Improvement Plan Processing Period (following the Due Diligence Period until Facility Improvement Plans are approved) with the payment of \$2,500 in liquidated damages; and, following Tenant's delivery of a Notice of Approval of Biomass Facility Improvement Plans to County (thirty days following delivery of such notice) with a payment of \$10,000 in liquidated damages.

If the Ground Lease is not cancelled by Tenant during the milestones specified above, the Ground Lease obligates the Tenant to construct all aspects of the Biomass Facility Project (including improvements and gasification system) at its sole cost in accordance with the Conditions of Approval, approved Facility Improvement Plans, County Building Code, and all applicable Federal, State, County, and local laws and regulations. While considered proprietary, the Tenant must install the gasification system pursuant to all specifications and any required building, electrical or plumbing permits. The Ground Lease provides for the County's purchase of the structural facility improvements at the end of the term subject to negotiation of the parties while considering the entirety of the Biomass Project transaction. In the event a purchase cannot be negotiated, the Tenant is required to remove the structures at Tenant's cost in a time frame that is mutually agreeable to the parties.

The Ground Lease is approved as to form by County Counsel and is acceptable to Risk Management. To proceed with the Biomass Facility Project your Board's approval of the Ground Lease is necessary. Your Board's adoption of the attached Resolution is required to authorize the Director of Facility Services, or designee, to carry out the provisions of the Ground Lease and is necessary to authorize the recordation of a Memorandum of Lease and to grant and record utility easements deemed necessary to serve the Biomass Facility.

ENVIRONMENTAL CLEARANCE: The Board of Supervisors certified the Final Environmental Impact Report including the Addendum for the Cabin Creek Biomass Facility on May 7, 2013. Subsequently a Notice of Determination was posted for thirty days and no lawsuit was filed during this period. The proposed actions are consistent and were contemplated in this prior Environmental Review process.

FISCAL IMPACT: Rent associated with this facility will commence at \$100 per month following the issuance of a Notice to Proceed with Construction. After the Biomass Facility is operational, rent during the Initial Term will commence at \$1,749 per month (\$20,988 per year). This rent will accrue to the Eastern Regional Landfill Enterprise Fund less Property Management costs. It is anticipated that Eastern Regional Landfill will incur costs to acquire the Facility Improvement structure at a negotiated price at the end of the 15-year initial term or option terms, if exercised. The ultimate price will take into consideration the entirety of the Biomass Project transaction.

ATTACHMENTS: EXHIBIT A – CABIN CREEK PROPERTY MAP
EXHIBIT B – BIOMASS FACILITY SITE PLAN
RESOLUTION

AVAILABLE FOR REVIEW AT THE CLERK OF THE BOARD'S OFFICE: GROUND LEASE

MD/MR/LM/NT/KT

CC: COUNTY EXECUTIVE OFFICE

T/FAC/BSMEMO2013/BIOMASS FACILITY LEASE.DOC

EXHIBIT A – CABIN CREEK PROPERTY MAP

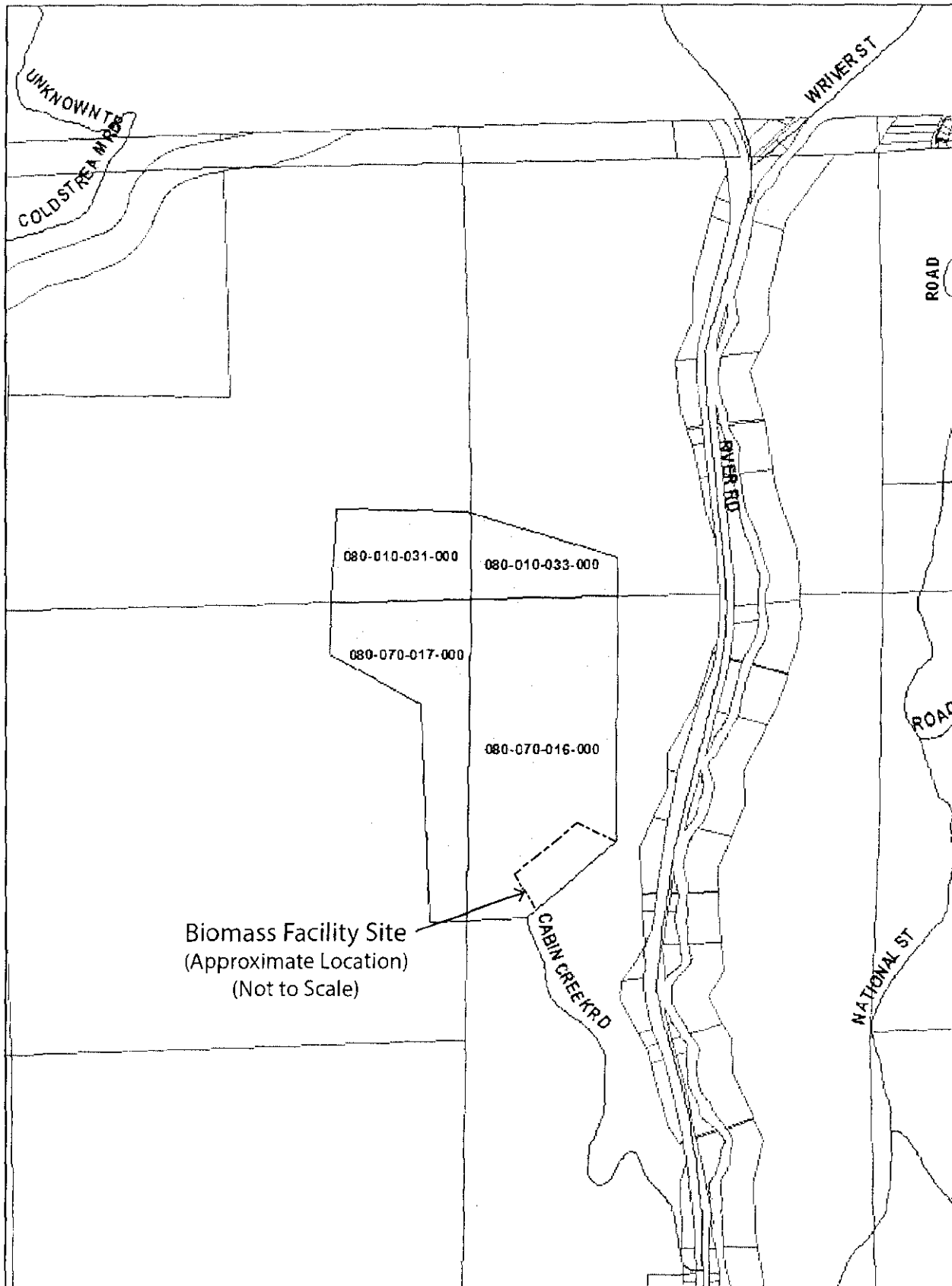
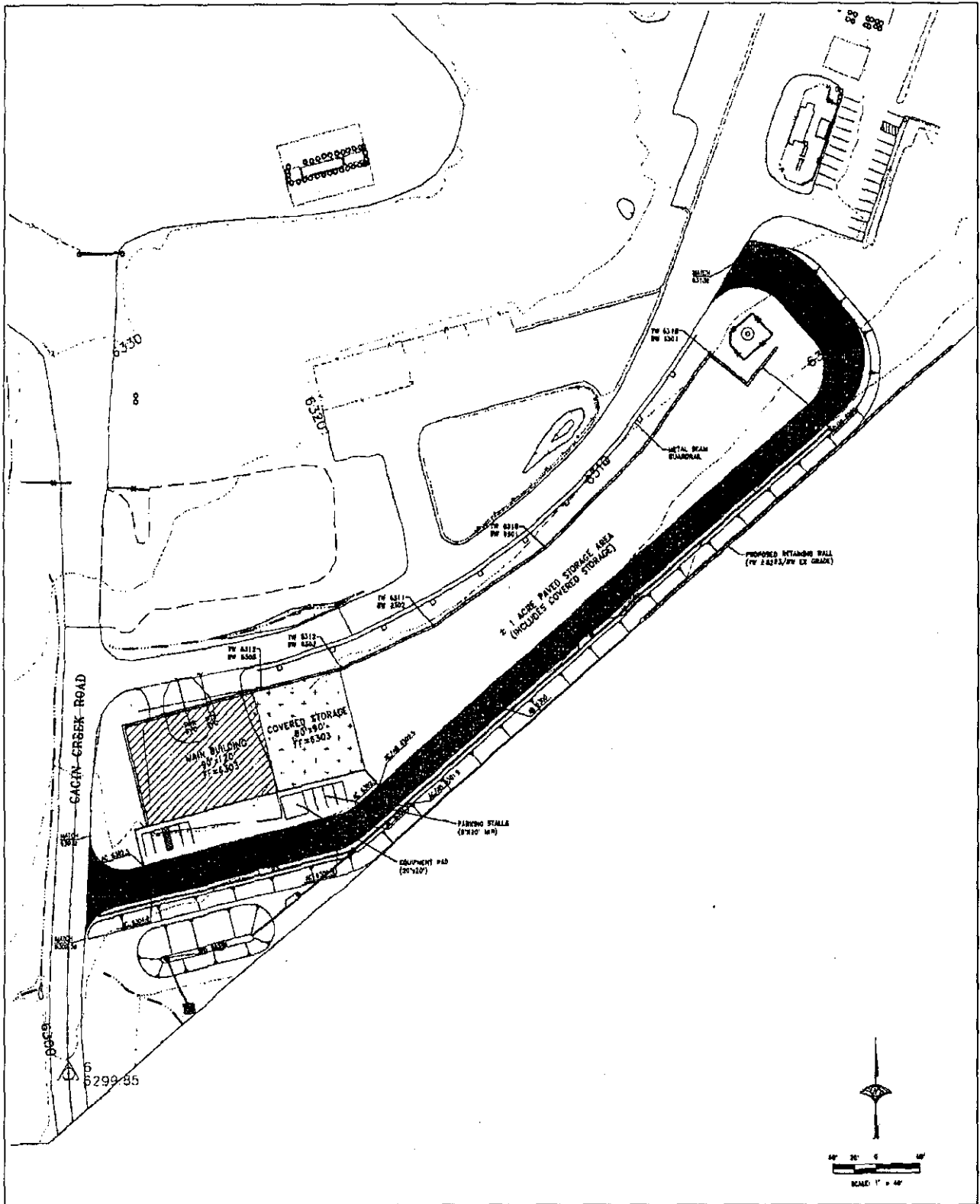


EXHIBIT B - BIOMASS FACILITY SITE PLAN



**Before the Board of Supervisors
County of Placer, State of California**

**In the matter of: A RESOLUTION AUTHORIZING THE
DIRECTOR OF FACILITY SERVICES, OR DESIGNEE,
TO ADMINISTER THE GROUND LEASE BETWEEN THE
COUNTY OF PLACER AND TAHOE REGIONAL POWER
COMPANY, LLC, A CALIFORNIA LIMITED LIABILITY
COMPANY FOR OPERATION OF A BIOMASS FACILITY**

Resol. No: _____

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, 2013 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:

Chair, Board of Supervisors

Clerk of said Board

WHEREAS, in October 2007, the Board adopted the Wildfire Protection/Biomass Utilization Strategic Plan that provided direction to staff to develop a program to manage biomass resources in the County; and

WHEREAS, as a part of that plan, County staff analyzed a biomass facility project and identified a site on the southern portion of the Cabin Creek Property as a viable location for the facility; and

WHEREAS, on May 7, 2013, the Board denied a third-party project appeal, certified the Final Environmental Impact Report including the Addendum for the Cabin Creek Biomass Facility Project and approved the Conditional Use Permit to allow the construction and operation of the Cabin Creek Biomass Facility Project; and

WHEREAS, County staff has negotiated a Ground Lease with the Tahoe Regional Power Company, LLC, which includes a 15-year initial term and two 5-year option terms for the desired construction and operation of the Biomass Facility; and

WHEREAS, to proceed with the construction and operation of the Biomass Facility, the Board must approve the Ground Lease.

NOW THEREFORE, BE IT RESOLVED, the Placer County Board of Supervisors does hereby delegate authority to the Director of Facility Services, or designee, to administer the provisions of the Ground Lease and to take all actions necessary to grant and record a Memorandum of Lease and utility easements necessary to serve the Biomass Facility.

