

Confidential
Final Draft
July 1, 2019

Tahoe City Firehouse Proposal Review & Analysis Executive Summary

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Executive Summary



Purpose of the Analysis

Hunden Strategic Partners was engaged to conduct a market, financial feasibility, and economic impact analysis to determine the highest and best use of the Tahoe City Firehouse Properties redevelopment. The site, located in downtown Tahoe City, includes the former North Tahoe Fire Station 51, the Tahoe Community Center Building, and the former Chamber/Visitor Center located at 300 and 380 N Lake Boulevard.

Placer County aims to identify an entity that can provide a financially sustainable business that meets the needs of the community. Previously conducted community outreach determined that re-use of the property should strive to:

- Become a “welcoming access point” to Lake Tahoe and a year-around community gathering place
- Serve the needs of the entire community
- Fit in with the culture of Tahoe City
- Bring people together
- Provide economic return to community and County
- Improve water quality and scenic conditions
- Be feasible from cost and time perspective
- Be financially sustainable
- Link to Planning Documents (Tahoe City Mobility Study, Tahoe Basin Area Plan)
- Be innovative, creative & enhance a sense of community
- Leverage one-time County funding assistance
- Provide flexible space allowing a variety of uses depending on time of year/day
- Consistent with community vision for the property

The County aims to enter into a long-term lease with an entity to design, construct and operate a self-sustaining business that will bring economic vitality to the area.

Two Proposals

The County received two favorable submittals in response to the RFI, Siren Arts at Tahoe City and The Commonwell, that are profiled and analyzed throughout this report.

This report analyzes the market and financial conditions that influence the market opportunity for both proposals. In addition to providing conclusions related to the Siren Arts and Commonwell proposals, HSP was also asked to provide an additional highest and best use recommendation based on the results of the market analysis. Given the usage constraints of the site, market and financial conditions are only part of the decision matrix.

The balance of this document details the market analysis and conclusions related to the redevelopment of the Firehouse Properties site in Tahoe City.



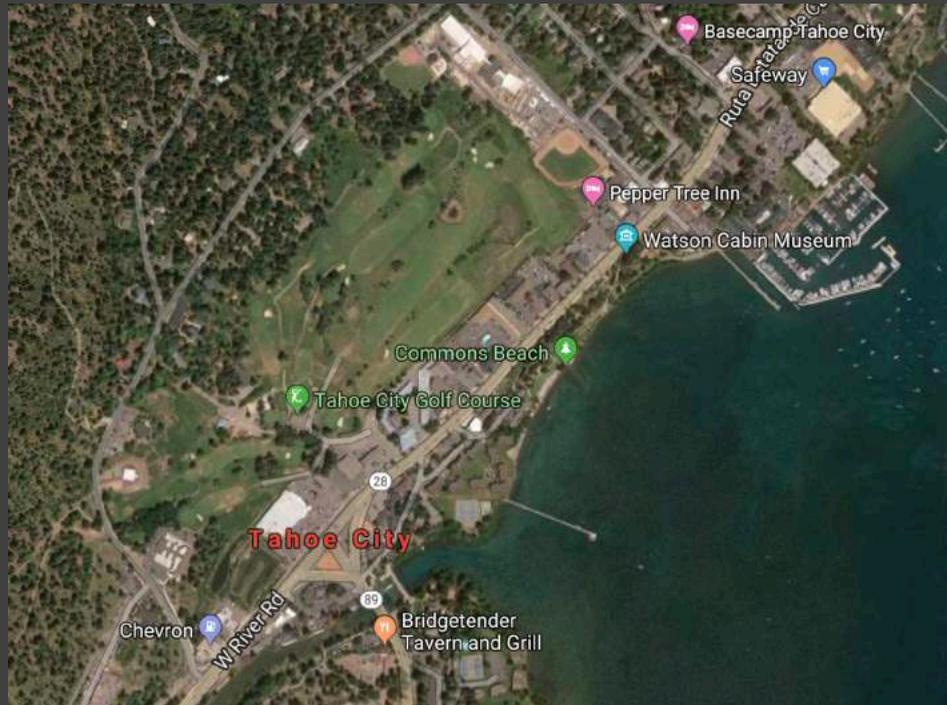
Headline:

Neither of the proposed projects is currently financially viable. The most viable, highest productivity, highest impact allowed use is Commonwell's concept, but it still falls short as of today.

The site size, environmental constraints, allowable uses, parking restrictions and building envelope restrictions all contribute to making this jewel of a site **too expensive to develop without assistance**. If more space were allowed, economies of scale would improve the financials on a return-per-square-foot basis, but still would not likely decrease the cost/SF enough to make any project commercially viable.

Site

The site is located in the heart of Tahoe City, but is limited in size and capacity. There are a number of restrictions on the site.





Assessment as Currently Proposed

Assessment as Currently Proposed	Welcoming access point/year-around community gathering place	Subjective	Serve the needs of the entire community	Fit in with the culture of Tahoe City	Bring people together	Provide economic return to community and County	Improve water quality and scenic conditions	Be feasible from cost and time perspective	Be financially sustainable	Link to Tahoe City Mobility Study, Tahoe Basin Area Plan	Be innovative, creative & enhance a sense of community	Leverage one-time County funding assistance, but not ongoing*	Provide flexible space/allow variety of uses throughout year/day	Consistent with community vision for the property
Commonwell	👍	Subjective	👍	👍	✗	👍	✗	✗	👍	👍	👍	✗	👍	
Siren Arts	👍	Subjective	👍	👍	✗	👍	✗	✗	👍	👍	👍	👍	👍	

* Neither assume ongoing County funding

As currently proposed, both projects provide the intangible items desired, but lack the financial and other elements necessary to be developed or sustainable, as currently proposed. In terms of serving the needs of the entire community, that is a subjective item and HSP makes no clear judgement on that.

Zoning Limitations Firehouse Properties

Zoning Permissible Uses

Minor Use Permit

- Employee Housing
- General Merchandise (bike shop or retail)
- Cultural Facilities
- Publicly Owned Assembly and Entertainment
- Outdoor Recreation Concessions
- Arts & Crafts Center or Gallery

Conditional Use Permit

- Eating and Drinking Establishments (Restaurant, Brewery)
- Food and Beverage Retail Sales
- Amusement and Recreational Services
- Privately Owned Assembly and Entertainment
- Participation Sports (Climbing wall or indoor golf)

Not Allowed

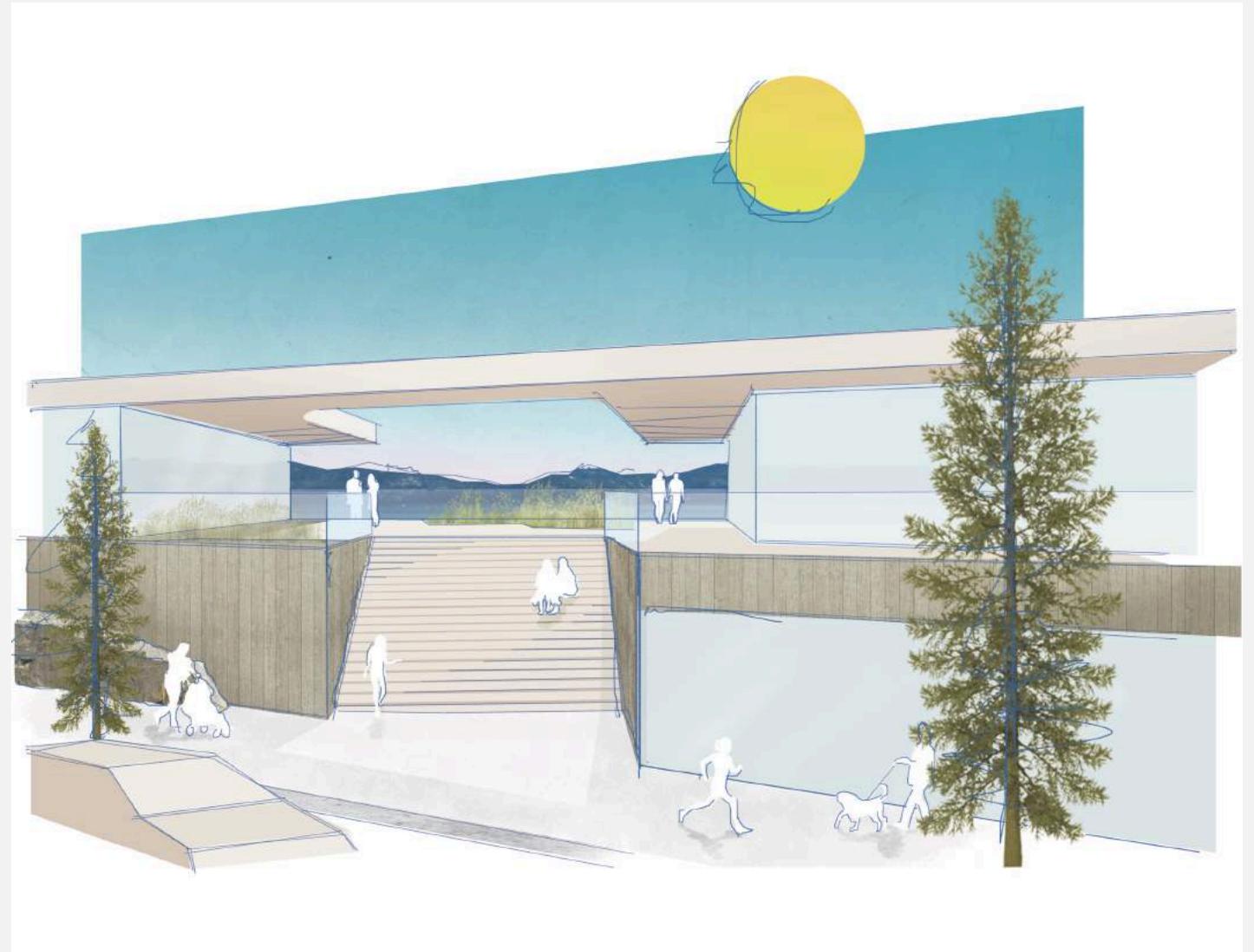
- Hotel
- Hostel
- Professional Office

Proposal Overview: Commonwell

The Commonwell Project Team, led by brothers Justin and Kele Dobrinski of Colossus MFG., believes that a common love of the outdoors bonds locals and tourists.

The Commonwell Project is a play on “commonwealth” which is a community of shared interests and the word “well” evokes the idea of “wellness” and the age old concept of a local “watering hole” where stories and experiences are shared.

The Commonwell Project reimagines the heart of Tahoe City as a must-visit destination that will involve a true public-private relationship as a groundbreaking waterfront development that turns pavement into green space, creates local economic stability, and both visually and functionally embodies the spirit of Tahoe City.



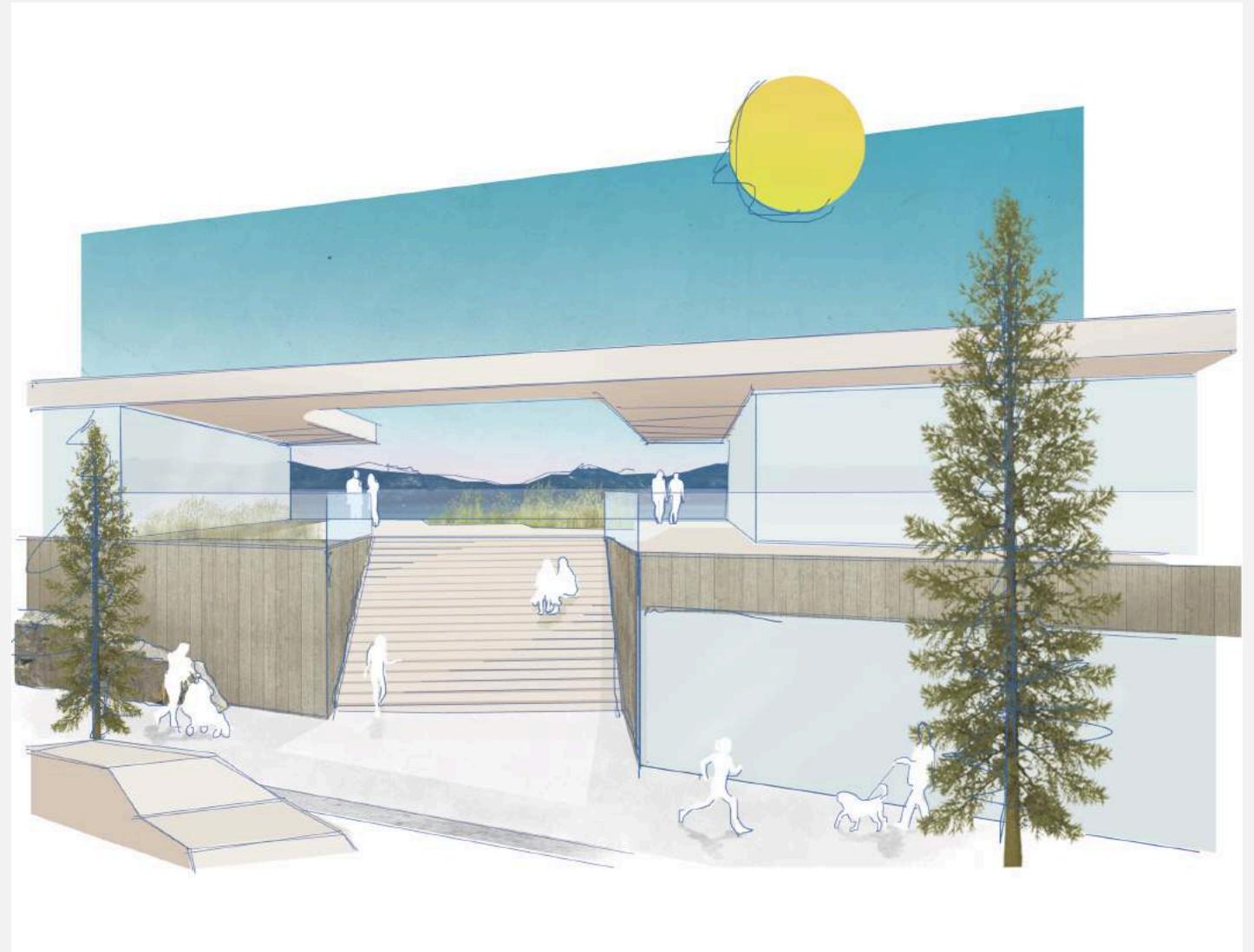
Project Evolution: Commonwell

The Commonwell team provided detailed financials twice during the process, before and after the building envelope results were better known.

The original proposal included approximately 40,000 SF of developed space, including 27,000 SF of leasable space and 107 parking spots. Total cost of \$34 million, with \$7 million from public/donated sources.

The revised proposal includes approximately 20,000 SF of space (all leasable) and 35 parking spots for a total cost of \$14.5 million, with \$4.25 million from public/donated sources.

Based on new info regarding the building envelope, budget and leasable area, HSP then applied market lease and expense rates to the plan. These adjustments resulted in lower revenues, higher expenses and a larger likely feasibility gap (nearly \$10 million).



Proposal Overview: Siren Arts

Siren Arts, in collaboration with Olson-Olson-Ena, LLC, plans to bring a revenue-generating multi-use community space focused on arts and culture to the heart of Tahoe City.

Siren Arts, as a 501(c)(3) non-profit, will serve as curator of programming and facility rental, bringing outside performances, artists and events to the space to serve the public and generate revenue.

The \$22 million, 23,000-square foot space could offer artist studio spaces, classrooms, year-round event space (theater capacity of 300+), and a commercial kitchen as well as vital office space for key non-profit and community-based organizations in the area.

An endowment to support operations of \$8 million was also proposed, bringing the total capital needed to \$30 million.



Project Evolution: Siren Arts

The Siren Arts proposal evolved as well during the process.

The original proposal included the potential for artist lofts, but this evolved into non-living artist studio spaces.

Based on new info regarding the building envelope, HSP made adjustments to the space program and budget (reducing development cost from \$22 million to \$19 million), as well as the business plan from a best-practices perspective. These adjustments resulted in a lower development cost and lower operating losses.

The financial gap to be filled was reduced from approximately \$30 million to approximately \$21 million, assuming the \$19 million upfront cost and \$2 million for ten years of operating support.



High-Level Comparison

The County received two favorable submittals in response to the RFI, Siren Arts at Tahoe City and The Commonwell, that are profiled and analyzed throughout this report.

HSP compared the original submitted proposals, plus revised versions based on the reduced building envelope.

HSP also completed demand and financial models for both projects, as revised to fit the smaller building envelope.

As shown, the financial gap estimated by HSP is more than double what is estimated by Commonwell and totals \$9.7 million.

For Siren Arts, their original proposal suggested \$30 million in donated funds to cover upfront cost and ongoing endowment. HSP's revised estimate is \$18.7 million upfront and \$2.1 million assumed to be needed over the first ten years of net operating loss, for a total gap of \$20.8 million.

Comparing Submitted Proposals by the Numbers

	Commonwell Original	Commonwell Revised	Commonwell HSP Assessed/ Revised**	Siren Arts Original	Siren Arts - HSP Assessed/ Revised*
Usage	Retail, Restaurant, Recreation	Retail, Restaurant	Retail, Restaurant	Performing Arts, Events, Artist Spaces	Performing Arts, Events, Artist Spaces
Gross Square Footage	40,000	19,692	19,692	23,163	19,692
Leasable Square Footage	27,100	19,688	19,688	8,580	8,861
Estimated Cost (millions)	\$34.2	\$14.5	\$14.5	\$22.0	\$18.7
Cost per SF	\$856	\$736	\$736	\$950	\$950
Proposed Private Commercial Investment	\$6.5	\$1.6	\$1.0	\$0.0	\$0.0
Proposed Private Loan	\$20.6	\$8.7	\$3.8	\$0.0	\$0.0
Proposed Public/ Donated \$ Upfront	\$7.1	\$4.3	\$9.7	\$22.0	\$18.7
Proposed Public/ Donated \$ Ongoing (10-year term)	\$0.0	\$0.0	\$0.0	\$8.0	\$2.1
Total Uneconomic Amount	\$7.1	\$4.3	\$9.7	\$30.0	\$20.8

* HSP revised Siren Arts based on building restrictions and reduced cost. Increased usable space %; completed new proforma

** HSP revised Commonwell based on supportable debt and equity to determine funding gap; new proforma

HSP Commonwell Projection - Revised Program

Projections	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Mixed-Use Retail/Restaurant										
Gross Square Footage	19,692	19,692	19,692	19,692	19,692	19,692	19,692	19,692	19,692	19,692
Occupancy %	70%	85%	90%	90%	90%	90%	90%	90%	90%	90%
Occupied Space (000s)	13,784	16,738	17,723	17,723	17,723	17,723	17,723	17,723	17,723	17,723
Rental Rate (NNN)	\$30.25	\$30.86	\$31.47	\$32.10	\$32.74	\$33.40	\$34.07	\$34.75	\$35.44	\$36.15
Potential Net Rent	\$595,683	\$607,597	\$619,749	\$632,144	\$644,786	\$657,682	\$670,836	\$684,253	\$697,938	\$711,896
Effective Rent	\$416,978	\$516,457	\$557,774	\$568,929	\$580,308	\$591,914	\$603,752	\$615,827	\$628,144	\$640,707
CAM, Taxes & Insurance/SF	\$8.82	\$9.00	\$9.18	\$9.36	\$9.55	\$9.74	\$9.93	\$10.13	\$10.33	\$10.54
Gross Potential Passthroughs	\$173,683	\$177,157	\$180,700	\$184,314	\$188,001	\$191,761	\$195,596	\$199,508	\$203,498	\$207,568
Reimbursed Passthroughs	\$121,578	\$150,584	\$162,630	\$165,883	\$169,200	\$172,584	\$176,036	\$179,557	\$183,148	\$186,811
Other Unreimbursed Expenses	\$24,615	\$25,107	\$25,609	\$26,122	\$26,644	\$27,177	\$27,720	\$28,275	\$28,840	\$29,417
Net Operating Income	\$340,258	\$464,776	\$514,094	\$524,376	\$534,864	\$545,561	\$556,472	\$567,602	\$578,954	\$590,533

Source: Hunden Partners

Proforma - Commonwell

HSP reviewed Commonwell's projections and, based on market data, made projections regarding the likely future performance of the Project. HSP's assumed rents were lower and expenses were higher than the proposal, leading to a lower net operating income than their revised proposal.

Net New Visitors and Room Nights - Placer/Tahoe

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
New Daytrip Visitor Days	32,050	32,691	33,345	34,012	34,692	34,692	34,692	34,692	1,034,102
New Overnighter Days	6,410	6,538	6,669	6,802	6,938	6,938	6,938	6,938	206,820
New Room Nights	3,374	3,441	3,510	3,580	3,652	3,652	3,652	3,652	108,853
Total Visitors	320,504	326,914	333,453	340,122	346,924	346,924	346,924	346,924	10,341,019
New/Recaptured as % Total	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

Source: Hunden Strategic Partners

Net New Visitation - Commonwell

HSP assumed \$24 spent per visitor to the Project and \$391 of sales per square foot, based on achievable sales and rent levels. Of the total of nearly 350,000 customers per year, 10% were assumed to be new daytrippers, while 2% were assumed to be new overnighters, resulting in 12% of customers (1.24 million over 30 years) assumed to be net new to the market.

Impact Detail - Commonwell

HSP uses the IMPLAN model to calculate indirect and induced impacts (waves of spending from direct spending). HSP uses per daytrip and per overnigher spending by category to calculate direct spending per person per daytripper and overnigher. HSP only counts new/recaptured spending as having a positive impact, whereas the other spending is recycled.

Based on the analysis, over the period, \$107.5 million in new direct spending is expected, with indirect and induced spending bringing the total to nearly \$190 million.

New earnings are about one-third of new spending that ends up supporting 40 new full-time equivalent jobs in the County.

Direct Net New/Recaptured Spending (000s) - Commonwell

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Food & Beverage	\$608	\$636	\$665	\$695	\$727	\$822	\$1,053	\$1,347	\$28,776
Lodging	\$317	\$333	\$350	\$367	\$386	\$447	\$573	\$733	\$15,576
Retail	\$408	\$426	\$445	\$466	\$487	\$551	\$705	\$903	\$19,280
Transportation	\$576	\$602	\$630	\$659	\$689	\$779	\$997	\$1,276	\$27,262
Other	\$351	\$367	\$384	\$401	\$420	\$475	\$608	\$778	\$16,612
Total	\$2,260	\$2,364	\$2,474	\$2,588	\$2,708	\$3,074	\$3,935	\$5,037	\$107,506

Source: Hunden Strategic Partners

Direct, Indirect & Induced Net New Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Net New Spending									
Direct	\$2,260	\$2,364	\$2,474	\$2,588	\$2,708	\$3,074	\$3,935	\$5,037	\$107,506
Indirect	\$792	\$828	\$867	\$907	\$948	\$1,076	\$1,378	\$1,764	\$37,648
Induced	\$922	\$964	\$1,009	\$1,056	\$1,104	\$1,254	\$1,605	\$2,054	\$43,840
Total	\$3,974	\$4,157	\$4,349	\$4,550	\$4,760	\$5,404	\$6,918	\$8,856	\$188,993

Source: Hunden Strategic Partners

Net New Earnings from Direct, Indirect & Induced Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Net New Earnings									
From Direct	\$798	\$835	\$874	\$914	\$956	\$1,085	\$1,389	\$1,777	\$37,937
From Indirect	\$251	\$262	\$274	\$287	\$300	\$341	\$436	\$559	\$11,921
From Induced	\$266	\$278	\$291	\$304	\$319	\$362	\$463	\$593	\$12,647
Total	\$1,315	\$1,375	\$1,439	\$1,505	\$1,575	\$1,787	\$2,288	\$2,929	\$62,505

Source: Hunden Strategic Partners

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Average
Net New FTE Jobs									
From Direct	21	21	22	22	23	23	23	23	23
From Indirect	7	7	8	8	8	8	8	8	8
From Induced	9	9	9	9	9	9	9	9	9
Total	37	38	38	39	40	40	40	40	40

Source: Hunden Strategic Partners

Impact Summary - Commonwell

Total new spending is projected to be \$189 million, with \$63 million in new earnings supporting 40 full-time equivalent jobs.

HSP also calculated local fiscal impacts from new spending in the market. The lodging tax of 10% is expected to increase by \$1.6 million from the Commonwell over the 30-year period, while the local 1.25% sales tax is expected to increase by \$1.3 million. Property tax paid by the Project is estimated to generate \$500,000 over the period. In total, \$3.4 million in net new fiscal impact is expected.

Construction spending is based on \$14.5 million and splits 60/40% labor/materials. These then have indirect and induced impacts in the market. Overall, 161 one-time job-years are expected from the development.

Summary of 30-Year Estimated Impacts

Net New Spending	(millions)
Total	\$189
Net New Earnings	(millions)
Total	\$63
Net New FTE Jobs	Actual
Total	40
Taxes Collected	(millions)
Lodging Tax/TOT (10%)	\$1.6
Local Sales Tax (1.25%)	\$1.3
Property Tax	\$0.5
Total	\$3.4
Construction Impact	(millions)
New Materials Spending	\$10.0
New Labor Spending	\$8.7
Job-Years, Actual	161

Source: Hunden Strategic Partners

Assumed Program - Reduced Building Envelope*

Space Type	Square Feet	Banquet Capacity	Theater Capacity	Classroom Capacity
Primary Event Space	3,375	211	338	260
Meeting Rooms	3,146	n/a	n/a	242
Artist Spaces	2,340	n/a	n/a	180
Total	8,861			
Prefunction, Back of House, Circulation, Etc.**	10,831			
Total	19,692			

* Building envelope reduced by approx 4,000 SF. Residences replaced with rentable artist spaces.

** Net to gross ratio is typically 45% and not sellable space is typically 55%

Source: Hunden Strategic Partners

Assumed Program – Siren Arts

HSP reviewed Siren Arts’ design and adjustments during the review process. Originally, there was consideration of artist lofts, which then converted to artist spaces. The building envelope was then reduced to match the amount allowed. HSP recast the program to keep as much, and actually more rentable space, than had originally been planned.

Projected Events at the Siren Arts Center

Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Receptions	9	12	15	18	21	21
Corporate Events	6	9	12	15	16	16
Entertainment Events	12	15	18	19	20	20
Sub-total Exhibit Hall	15	21	27	33	37	37
Non-Exhibit						
Artist Space Usage (user months)	48	60	66	66	66	66
Meetings Room Events	39	47	51	57	59	59
Sub-total Non-Exhibit	87	107	117	123	125	125
Total	114	143	162	175	182	182

Source: HSP

Event Projection – Siren Arts

HSP reviewed Siren Arts’ projections and, based on market data, made projections regarding the likely future performance of the Project. HSP’s assumed a pure rental model to reduce production risk and staffing expense. When not counting artist space uses, HSP still projects more than 100 events per year, however most would not be performances, but rather receptions (including weddings), conferences and meetings.

Projected Attendance - Siren Arts Center										
Event Type	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Receptions	1,300	1,700	2,100	2,500	3,000	3,000	3,000	3,000	3,000	3,000
Conference & Corporate Events	1,400	2,100	2,800	3,500	3,700	3,700	3,700	3,700	3,700	3,700
Entertainment Events	3,100	3,900	4,700	4,900	5,200	5,200	5,200	5,200	5,200	5,200
Artist Space Usage (user months)	0	0	0	0	0	0	0	0	0	0
Meeting Room Events	1,900	2,200	2,400	2,700	2,800	2,800	2,800	2,800	2,800	2,800
Total	7,700	9,900	12,000	13,600	14,700	14,700	14,700	14,700	14,700	14,700

Source: HSP

Use table below

Projected Average Attendance by Event Type - Siren Arts Center										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exhibit Events										
Receptions	140	140	140	140	140	140	140	140	140	140
Conference & Corporate Events	230	230	230	230	230	230	230	230	230	230
Entertainment Events	260	260	260	260	260	260	260	260	260	260
Meeting Room Events	50	50	50	50	50	50	50	50	50	50
Average	70	70	70	80						

Source: HSP

Attendance – Siren Arts

HSP estimated average and total attendance by type of event, based on the size of available spaces. On average, events range in attendance from 50 for meetings to 260 for entertainment events. Total attendance is expected to stabilize at nearly 15,000 visitors/attendees per year.

Proforma – Siren Arts

HSP created a model that is used for event facilities and, based on a number of assumptions regarding rental rates, staffing, utilities and other costs, resulted in a facility that requires a bit more than \$100,000 annually in operating support once it ramps up. The initial years show heavier operating losses, as is typical for these facilities.

Siren Arts' original projection suggested that the annual operating budget would be \$1.5 million, with a \$400,000 operating loss per year. HSP believes that to be too risky and large of a business model to run in such a small space. While it is typical that one-third of annual budgets for arts facilities needs to be donated, HSP believes that this small facility can overachieve if staffing is limited, production risk is limited (only rent the facility, do not promote/produce events) and conference, meeting and reception business is maximized.

Pro Forma Operating Statement of Revenue and Expenses (\$000's, Inflated)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Event Revenue										
Rent	\$391	\$530	\$660	\$767	\$885	\$907	\$930	\$953	\$977	\$1,001
Equipment Rental	29	40	49	58	66	68	70	71	73	75
Gross Food & Beverage	212	296	384	477	540	553	567	581	596	611
Less costs @ 75%	159	222	288	357	405	415	425	436	447	458
Net Food and Beverage	53	74	96	119	135	138	142	145	149	153
Event Services Income	106	143	178	207	239	245	251	257	264	270
Sub-total	\$579	\$787	\$983	\$1,151	\$1,325	\$1,358	\$1,392	\$1,427	\$1,463	\$1,499
Other Revenue										
Advertising and Sponsorships	25	26	26	27	28	28	29	30	30	31
Artist Space Rental	24	30	33	33	33	33	33	33	33	33
Total Operating Revenue	\$628	\$843	\$1,043	\$1,211	\$1,386	\$1,420	\$1,455	\$1,490	\$1,527	\$1,564
Expenses										
Salaries and Wages	495	507	520	533	546	560	574	588	603	618
Employee Benefits	173	178	182	187	191	196	201	206	211	216
Passthrough Labor	106	143	178	207	239	245	251	257	264	270
Maintenance & Repairs	30	38	46	51	60	62	64	65	67	68
Cleaning	13	18	22	25	28	29	29	30	31	32
Utilities	37	40	43	46	48	48	49	50	50	51
Sales and Marketing	25	26	16	16	17	17	17	18	18	19
General and Administrative	118	121	124	127	130	134	137	140	144	148
Insurance	36	37	38	39	40	41	42	43	44	45
Other Operating Expenses	59	62	63	65	68	69	71	73	75	76
Reserve For Replacement	57	77	95	109	125	128	131	134	138	141
Total Expenses	\$1,150	\$1,246	\$1,326	\$1,406	\$1,492	\$1,529	\$1,566	\$1,605	\$1,644	\$1,684
Net Operating Income	(\$522)	(\$403)	(\$284)	(\$195)	(\$106)	(\$109)	(\$112)	(\$115)	(\$117)	(\$120)

Source: HSP

Supportable Financing – Siren Arts

Because the facility is not expected to generate operating cash flow, there is no supportable loan nor supportable upfront equity. As a non-profit, all upfront funding will need to be donated or secured from beneficial sources.

Because of the ongoing operating deficits, assumed to total \$2 million of ten years, this amount will also need to be secured or an endowment created to mitigate the losses.

Supportable Financing - Siren Arts 20k SF - (000s)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	\$0	\$0	(\$522)	(\$403)	(\$284)	(\$195)	(\$106)	(\$109)	(\$112)	(\$115)	(\$117)	(\$120)	(\$2,083)
Operating Subsidy			\$522	\$403	\$284	\$195	\$106	\$109	\$112	\$115	\$118	\$120	
Interest and Debt Reserve W/D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Debt Service Payment	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Income to Repay Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Princ. Amount***	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Less Payment	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Loan Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Assumptions													
Loan Amount (\$000's)	\$0												
Amortization Period (Years)	25												
Loan Interest Rate	8.00%												
Annual Debt Service Payment (\$000's)	(\$0)												
Equity:													
Developer's Equity (\$000's)	\$0	0%											
Private Debt	\$0	0%											
Total Supportable Private Financing	\$0	0%	\$0										
Gap/Subsidy/Grants	\$18,699	90%	\$950										
Operating Subsidy	\$2,083	10%	\$106										
Present Value Needed (Cap Cost + Subsidy)	\$20,783	100%	\$1,056										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Return on Private Equity/Leveraged IRR*			18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Return on Assets**/Unleveraged IRR			-2.5%	-1.9%	-1.4%	-0.9%	-0.5%	-0.5%	-0.5%	-0.6%	-0.6%	-0.6%	-1.0%

*On developer's equity only.

**On project cost.

***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2

Source: Hunden Strategic Partners

Metrics and Assumptions Used to Determine Net New Visitors - Siren Arts

	Percent of Visitors Non- County	Percent of Non- County Who Stay Overnight	Percent of Total Visitors Staying Overnight	Percent of Non- County Visitors Making a Daytrip	Stabilized Number of Non-County Visitors Staying Overnight	Visitors per Room Night	Stabilized Net New Room Nights to County	Stabilized Net New Day Trips to County
Receptions	80%	90%	72%	10%	2,160	1.8	1,234	240
Conference & Corporate Events	60%	90%	54%	10%	1,998	1.3	1,537	222
Entertainment Events	60%	90%	54%	10%	2,808	1.9	1,478	312
Meeting Room Events	50%	90%	45%	10%	1,260	1.3	969	140
Total	61%	90%	56%	44%	8,226	1.6	5,218	914

Net New Visitors and Room Nights - Placer/Tahoe

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
New Daytrip Visitor Days	469	606	738	839	914	914	914	914	26,416
New Overnighter Days	4,221	5,454	6,642	7,551	8,226	8,226	8,226	8,226	237,744
New Room Nights	2,655	3,442	4,194	4,810	5,218	5,218	5,218	5,218	150,777
Total Visitors	7,700	9,900	12,000	13,600	14,700	14,700	14,700	14,700	425,400
New/Recaptured as % Total	60.9%	61.2%	61.5%	61.7%	62.2%	62.2%	62.2%	62.2%	62.1%

Source: Hunden Strategic Partners

Net New Visitation – Siren Arts

HSP made assumptions for the various types of events in terms of new daytrippers and overnighters. Given the small local population and desire for a place to host events from those visiting, HSP expects that most of the users will be non-local, leading to 62% (about 264,000) of the 425,400 visitors over 30 years to be new.

Impact Detail – Siren Arts

HSP uses the IMPLAN model to calculate indirect and induced impacts (waves of spending from direct spending). HSP uses per daytrip and per overnigher spending by category to calculate direct spending per person per daytripper and overnigher. HSP only counts new/recaptured spending as having a positive impact, whereas the other spending is recycled.

Based on the analysis, over the period, \$51.6 million in new direct spending is expected, with indirect and induced spending bringing the total to nearly \$90 million.

New earnings are about one-third of new spending that ends up supporting 17 new full-time equivalent jobs in the County.

Direct Net New/Recaptured Spending (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Food & Beverage	\$137	\$178	\$229	\$281	\$318	\$360	\$461	\$590	\$12,278
Lodging	\$249	\$333	\$418	\$493	\$551	\$639	\$818	\$1,048	\$21,798
Retail	\$35	\$46	\$58	\$67	\$75	\$85	\$109	\$140	\$2,916
Transportation	\$83	\$109	\$137	\$159	\$178	\$201	\$257	\$330	\$6,890
Other	\$92	\$122	\$153	\$178	\$199	\$225	\$288	\$369	\$7,711
Total	\$597	\$789	\$994	\$1,180	\$1,321	\$1,510	\$1,933	\$2,475	\$51,593

Source: Hunden Strategic Partners

Direct, Indirect & Induced Net New Spending (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Net New Spending									
Direct	\$597	\$789	\$994	\$1,180	\$1,321	\$1,510	\$1,933	\$2,475	\$51,593
Indirect	\$203	\$269	\$338	\$402	\$450	\$514	\$658	\$842	\$17,555
Induced	\$239	\$316	\$397	\$471	\$528	\$603	\$772	\$988	\$20,605
Total	\$1,039	\$1,373	\$1,730	\$2,053	\$2,299	\$2,627	\$3,363	\$4,305	\$89,752

Source: Hunden Strategic Partners

Net New Earnings from Direct, Indirect & Induced Spending (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Total
Net New Earnings									
From Direct	\$192	\$254	\$320	\$379	\$425	\$485	\$621	\$795	\$16,573
From Indirect	\$66	\$87	\$109	\$130	\$145	\$166	\$213	\$272	\$5,680
From Induced	\$71	\$94	\$118	\$140	\$157	\$179	\$229	\$293	\$6,112
Total	\$329	\$435	\$547	\$649	\$727	\$830	\$1,063	\$1,361	\$28,364

Source: Hunden Strategic Partners

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	Average
Net New FTE Jobs									
From Direct	5	6	8	9	10	10	10	10	10
From Indirect	2	2	3	3	3	3	3	3	3
From Induced	2	3	3	4	4	4	4	4	4
Total	9	11	14	16	17	17	17	17	17

Source: Hunden Strategic Partners

Impact Summary – Siren Arts

Total new spending is projected to be \$90 million, with \$28 million in new earnings supporting 40 full-time equivalent jobs.

HSP also calculated local fiscal impacts from new spending in the market. The lodging tax of 10% is expected to increase by \$2.2 million over the 30-year period, while the local 1.25% sales tax is expected to increase by \$0.6 million.

Construction spending is based on \$18.7 million and splits 60/40% labor/materials. These then have indirect and induced impacts in the market. Overall, 207 one-time job-years are expected from the development.

Summary of 30-Year Estimated Impacts

Net New Spending	(millions)
Total	\$90
Net New Earnings	(millions)
Total	\$28
Net New FTE Jobs	Actual
Total	17
Taxes Collected	(millions)
Lodging Tax/TOT (10%)	\$2.2
County Sales Tax (1.25%)	\$0.6
Property Tax	\$0.0
Total	\$2.8
Construction Impact	(millions)
New Materials Spending	\$12.9
New Labor Spending	\$11.2
Job-Years, Actual	207

Source: Hunden Strategic Partners

Comparative Summary with Impact

As shown, the Commonwell proposal, as reduced, returns the most on investment and the most impact overall and per dollar invested. The fiscal impact returns 35% of the current financial gap.

The Siren Arts proposal, as reduced and with more credit given on the operating side than projected by the development team, requires 100% of upfront and ongoing operating losses to be donated upfront and ongoing.

The fiscal return of \$2.8 million over 30 years is less than the \$3.4 million in return for the Commonwell and mitigates only 14 percent of the economic gap for the project. In total and per dollar spent, the Commonwell is the higher and more productive use for the site and safer investment for the community, all else being equal.

Comparing Submitted Proposals by the Numbers

	Commonwell Original	Commonwell Revised	Commonwell HSP Assessed/ Revised**	Siren Arts Original	Siren Arts - HSP Assessed/ Revised*
Usage	Retail, Restaurant, Recreation	Retail, Restaurant	Retail, Restaurant	Performing Arts, Events, Artist Spaces	Performing Arts, Events, Artist Spaces
Gross Square Footage	40,000	19,692	19,692	23,163	19,692
Leasable Square Footage	27,100	19,688	19,688	8,580	8,861
Estimated Cost (millions)	\$34.2	\$14.5	\$14.5	\$22.0	\$18.7
Cost per SF	\$856	\$736	\$736	\$950	\$950
Proposed Private Commercial Investment	\$6.5	\$1.6	\$1.0	\$0.0	\$0.0
Proposed Private Loan	\$20.6	\$8.7	\$3.8	\$0.0	\$0.0
Proposed Public/ Donated \$ Upfront	\$7.1	\$4.3	\$9.7	\$22.0	\$18.7
Proposed Public/ Donated \$ Ongoing (10-year term)	\$0.0	\$0.0	\$0.0	\$8.0	\$2.1
Total Uneconomic Amount	\$7.1	\$4.3	\$9.7	\$30.0	\$20.8
30-Year Economic Impact	n/a	n/a	\$189.0	n/a	\$89.8
30-Year Fiscal Impact	n/a	n/a	\$3.4	n/a	\$2.8
Fiscal vs. Uneconomic Amount	n/a	n/a	35%	n/a	14%

* HSP revised Siren Arts based on building restrictions and reduced cost. Increased usable space %; completed new proforma

** HSP revised Commonwell based on supportable debt and equity to determine funding gap; new proforma

Conclusions: Highest & Best Use

Neither of the proposed projects is currently financially viable. In fact, even a hotel (not allowed), which is likely the highest and best use, would not be feasible due to high costs versus potential profit. The most viable, highest productivity, highest impact allowed use is Commonwell's concept, but it still falls short.

The site size, environmental constraints, allowable uses, parking restrictions and building envelope restrictions all contribute to making this jewel of a site too expensive to develop without assistance. If more space were allowed, economies of scale would improve the financials on a return-per-square-foot basis, but still would not likely decrease the cost/SF enough to make any project commercially viable.

HSP recommends that the County make a determination regarding the amount of upfront funding it is willing and able to provide for the redevelopment of the site. This figure could at least be the amount necessary to redevelop a mostly passive use. The County could choose any figure to apply equally or to mirror the fiscal impact of a project, which would suggest different figures, depending upon the proposed use.

Next Steps:

For next steps, HSP recommends that each group be given the chance to prove out their ability to develop their project. For each, the hurdles are different, based on what they have proposed.

The County's contribution could be based on both fiscal and community benefit measures, as well as a recognition of baseline costs to develop anything on the site (demolition, etc.).

HSP suggests that the groups be given a specific time period to prove out their plans, based on the following:

Next Steps: Commonwell

For Commonwell:

- Add an experienced developer to the team,
- Revise development costs down, if possible, to mitigate the funding gap,
- Show how the revised project will sit on the site and have enough parking to accommodate demand,
- Reduce financing/financial projections down to match the market reality, similar to HSP analysis, unless proven otherwise,
- Secure commitments for tenant spaces at rent levels that support the financing and proforma, and
- Assume a minimal contribution by the County (to be determined) and show how the remainder of the financing can be achieved by private debt and equity, including terms (interest rate, amort period, debt coverage ratio, loan-to-value and loan-to-cost metrics) from a private lender.

Next Steps: Siren Arts

For Siren Arts, a community arts/events space would be a non-profit model in any market. Often, the public sector funds and owns these facilities. Therefore the challenge is not demonstrating a breakeven or better model, but demonstrating the ability to fund, manage, operate, produce events and successfully sustain the Project.

As such, to move forward on this or any other site, the Siren Arts group would need to:

- Add an experienced arts/events *facility/financial* manager to the team,
- Revise development costs down if possible to mitigate the funding gap (if possible),
- Show how the revised project will sit on the site and have enough parking (or nearby) to accommodate demand for events,
- Secure as strong of commitments as possible for artist spaces at rent levels that support the financing and proforma,
- Provide more detail and commitment from potential user groups, assuming either a rental model, a production at-risk model or a combination thereof. The HSP model is a rental model, the least risky.
- Assume a minimal contribution by the County (to be determined), and
- *Show commitments* for the remainder of the financing (upfront and endowment to fund operating losses).

Conclusions: Firehouse Properties

Based on the analysis, the County could commit funding to a project on the site, (to-be-determined by the County). If neither project moves forward, the County could use the funds to create the semi-passive use with the pavilion.

- For Commonwell, based on the models showing a financial gap of \$9.7 million, the group would need to show higher lease commitments and cost reductions to mitigate the funding gap.
- For Siren Arts, based on the models showing a financial gap of \$20.8 million (which is lower than the \$30 million they initially proposed), the group would need to show funding/donor commitments (or cost reductions or both) in order to mitigate the funding and ongoing operating gaps.
- The County can request whether each group would like to continue, given these mathematical and financial realities.
- HSP does not believe that any group should be provided the site to use as a stop-gap or intermediate step in the process.

Thank you
