

Final Draft  
July 1, 2019

# Tahoe City Firehouse Proposal Review, Market, Financial & Impact Analysis

Confidential Final Draft 7-1-19

---

# Table of Contents

- ❖ Purpose of the Analysis
- ❖ Executive Summary
- ❖ Chapter 1: Economic, Demographic and Tourism Analysis
- ❖ Chapter 2: Commercial Real Estate Market Analysis
- ❖ Chapter 3: Hospitality and Event Market Analysis
- ❖ Chapter 4: Residential Market Analysis
- ❖ Chapter 5: Recreation/Environmental Overview
- ❖ Chapter 6: Assessment of Commonwell Proposal
- ❖ Chapter 7: Assessment of Siren Arts Proposal
- ❖ Chapter 8: Implications
- ❖ Chapter 9: Demand, Financial & Impact Projections; Next Steps

# 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.



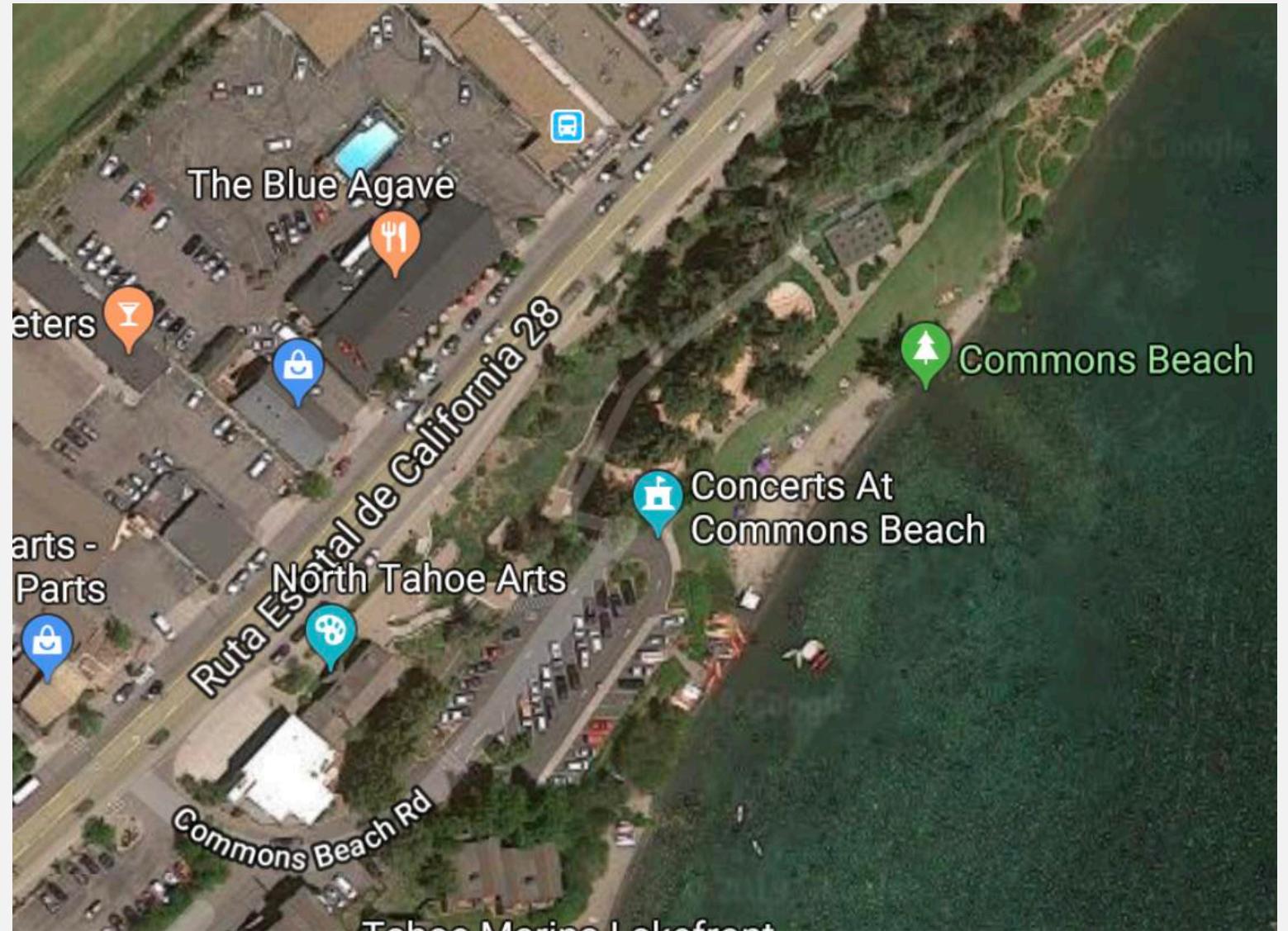
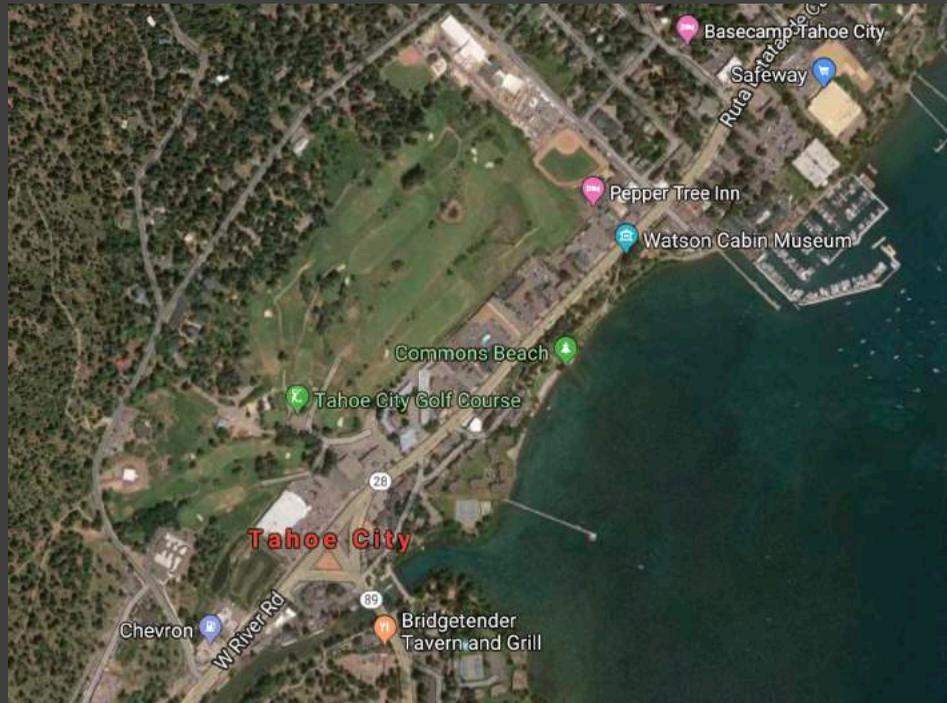
# Headline:

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**

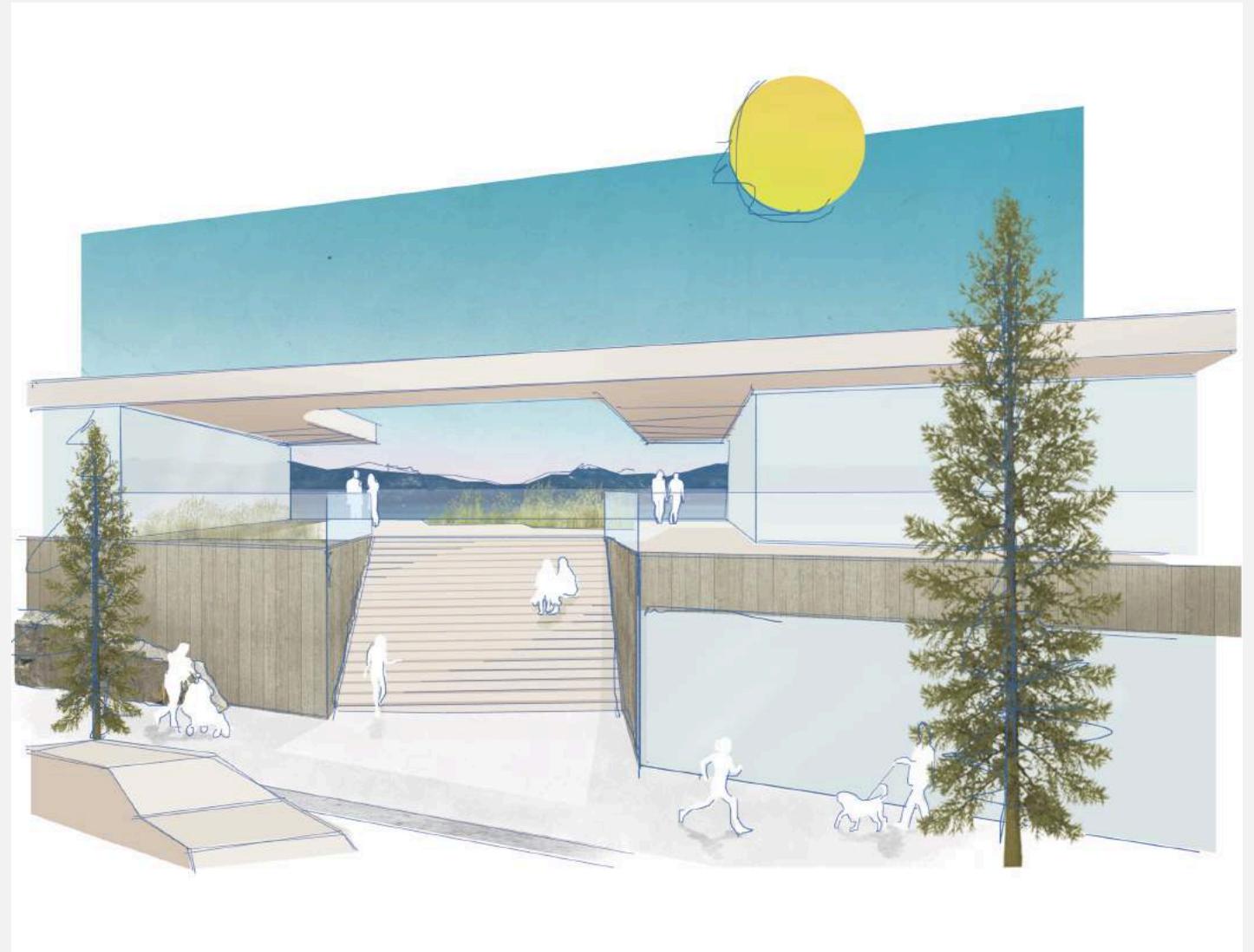
- Hotel
- Hostel
- Professional Office

# 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.



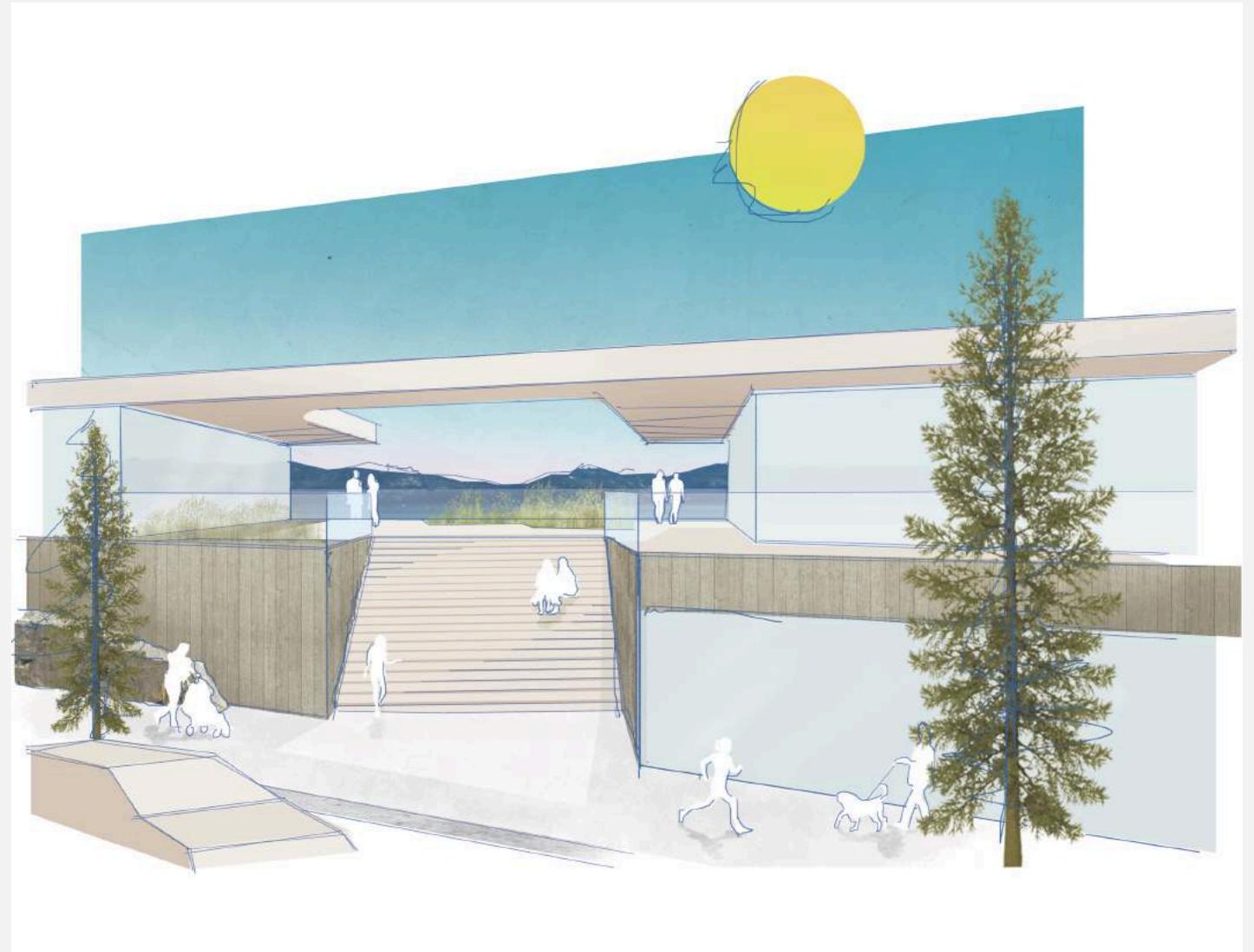
# Project Evolution: Commonwell

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 in operating support over the first ten years, for a total of \$20.8 million needed.

## 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
<b>Mixed-Use Retail/Restaurant</b>										
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.

Supportable Financing - Commonwell 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	\$340	\$465	\$514	\$524	\$535	\$545	\$556	\$567	\$579	\$590	\$5,216
Interest and Debt Reserve W/D	\$76	\$228	\$20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	\$76	\$228	\$360	\$465	\$514	\$524	\$535	\$545	\$556	\$567	\$579	\$590	
Debt Service Payment	(\$76)	(\$228)	(\$356)	(\$356)	(\$356)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	
Net Income to Repay Equity	\$0	\$0	\$4	\$109	\$158	\$191	\$202	\$213	\$224	\$235	\$246	\$258	\$1,839
Princ. Amount***	\$950	\$2,850	\$3,800	\$3,748	\$3,692	\$3,630	\$3,579	\$3,523	\$3,463	\$3,399	\$3,329	\$3,255	
Interest	\$76	\$228	\$304	\$300	\$295	\$281	\$277	\$273	\$268	\$263	\$258	\$252	
Less Payment	(\$76)	(\$228)	(\$356)	(\$356)	(\$356)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	(\$333)	
Loan Balance	\$950	\$2,850	\$3,748	\$3,692	\$3,631	\$3,579	\$3,523	\$3,463	\$3,399	\$3,329	\$3,255	\$3,174	
<b>Assumptions</b>							<b>Refi</b>						
Loan Amount (\$000's)	\$3,800						\$3,630						
Amortization Period (Years)	25						25						
Loan Interest Rate	8.00%						7.75%						
Annual Debt Service Payment (\$000's)	(\$356)						(\$333)						
Equity:													
Developer's Equity (\$000's)	\$1,000	7%											
Private Debt	\$3,800	26%											
Total Supportable Private Financing	<b>\$4,800</b>	<b>33%</b>	<b>\$244 per SF</b>										
<b>Gap/Subsidy/Grants</b>	<b>\$9,700</b>	<b>67%</b>	<b>\$493 per SF</b>										
Project Amount (\$000's)	<b>\$14,500</b>	<b>100%</b>	<b>\$736 per SF</b>										
													<b>10-Yr Avg</b>
Debt (Private) Coverage Ratio			1.01	1.31	1.44	1.58	1.61	1.64	1.67	1.71	1.74	1.77	<b>1.55</b>
Return on Private Equity/Leveraged IRR*			0.4%	10.9%	15.8%	19.1%	20.2%	21.3%	22.4%	23.5%	24.6%	25.8%	<b>18.4%</b>
Return on Assets**/Unleveraged IRR			2.3%	3.2%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	<b>3.6%</b>
*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													

## Supportable Financing - Commonwell

HSP projected supportable financing based on debt coverage ratio of 1.3x and a 25-year loan at 8.0% interest. Remaining profit for equity needed to support an 18% average annual return. The results support \$3.8 million in debt, \$1 million in equity, resulting in a gap of \$9.7 million. Supportable development cost is \$244/SF vs. cost of \$736/SF.

**Net New Visitors and Room Nights - Placer/Tahoe**

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

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
<b>Total</b>	<b>\$2,260</b>	<b>\$2,364</b>	<b>\$2,474</b>	<b>\$2,588</b>	<b>\$2,708</b>	<b>\$3,074</b>	<b>\$3,935</b>	<b>\$5,037</b>	<b>\$107,506</b>

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
<b>Net New Spending</b>									
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
<b>Total</b>	<b>\$3,974</b>	<b>\$4,157</b>	<b>\$4,349</b>	<b>\$4,550</b>	<b>\$4,760</b>	<b>\$5,404</b>	<b>\$6,918</b>	<b>\$8,856</b>	<b>\$188,993</b>

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
<b>Net New Earnings</b>									
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
<b>Total</b>	<b>\$1,315</b>	<b>\$1,375</b>	<b>\$1,439</b>	<b>\$1,505</b>	<b>\$1,575</b>	<b>\$1,787</b>	<b>\$2,288</b>	<b>\$2,929</b>	<b>\$62,505</b>

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
<b>Net New FTE Jobs</b>									
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
<b>Total</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>39</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>

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

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

Source: Hunden Strategic Partners

**Assumed Program - Reduced Building Envelope\***

<b>Space Type</b>	<b>Square Feet</b>	<b>Banquet Capacity</b>	<b>Theater Capacity</b>	<b>Classroom Capacity</b>
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
<b>Total</b>	<b>8,861</b>			
Prefunction, Back of House, Circulation, Etc.**	10,831			
<b>Total</b>	<b>19,692</b>			

\* 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 Art’s design 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
<b>Non-Exhibit</b>						
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
<b>Total</b>	<b>114</b>	<b>143</b>	<b>162</b>	<b>175</b>	<b>182</b>	<b>182</b>

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
<b>Total</b>	<b>7,700</b>	<b>9,900</b>	<b>12,000</b>	<b>13,600</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>

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
<b>Exhibit Events</b>										
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
<b>Average</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>80</b>						

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
<b>Revenue</b>										
<b>Event Revenue</b>										
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
<b>Other Revenue</b>										
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
<b>Total Operating Revenue</b>	<b>\$628</b>	<b>\$843</b>	<b>\$1,043</b>	<b>\$1,211</b>	<b>\$1,386</b>	<b>\$1,420</b>	<b>\$1,455</b>	<b>\$1,490</b>	<b>\$1,527</b>	<b>\$1,564</b>
<b>Expenses</b>										
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
<b>Total Expenses</b>	<b>\$1,150</b>	<b>\$1,246</b>	<b>\$1,326</b>	<b>\$1,406</b>	<b>\$1,492</b>	<b>\$1,529</b>	<b>\$1,566</b>	<b>\$1,605</b>	<b>\$1,644</b>	<b>\$1,684</b>
<b>Net Operating Income</b>	<b>(\$522)</b>	<b>(\$403)</b>	<b>(\$284)</b>	<b>(\$195)</b>	<b>(\$106)</b>	<b>(\$109)</b>	<b>(\$112)</b>	<b>(\$115)</b>	<b>(\$117)</b>	<b>(\$120)</b>

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 over 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	
<b>Assumptions</b>													
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
<b>Total</b>	<b>61%</b>	<b>90%</b>	<b>56%</b>	<b>44%</b>	<b>8,226</b>	<b>1.6</b>	<b>5,218</b>	<b>914</b>

### 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	<b>26,416</b>
New Overnighter Days	4,221	5,454	6,642	7,551	8,226	8,226	8,226	8,226	<b>237,744</b>
New Room Nights	2,655	3,442	4,194	4,810	5,218	5,218	5,218	5,218	<b>150,777</b>
Total Visitors	7,700	9,900	12,000	13,600	14,700	14,700	14,700	14,700	<b>425,400</b>
New/Recaptured as % Total	60.9%	61.2%	61.5%	61.7%	62.2%	62.2%	62.2%	62.2%	<b>62.1%</b>

Source: Hunden Strategic Partners

## Net New Visitation – Siren Arts

HSP made assumptions for the various types of events in terms of new daytrippers and overnighthers. 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
<b>Total</b>	<b>\$597</b>	<b>\$789</b>	<b>\$994</b>	<b>\$1,180</b>	<b>\$1,321</b>	<b>\$1,510</b>	<b>\$1,933</b>	<b>\$2,475</b>	<b>\$51,593</b>

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
<b>Net New Spending</b>									
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
<b>Total</b>	<b>\$1,039</b>	<b>\$1,373</b>	<b>\$1,730</b>	<b>\$2,053</b>	<b>\$2,299</b>	<b>\$2,627</b>	<b>\$3,363</b>	<b>\$4,305</b>	<b>\$89,752</b>

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
<b>Net New Earnings</b>									
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
<b>Total</b>	<b>\$329</b>	<b>\$435</b>	<b>\$547</b>	<b>\$649</b>	<b>\$727</b>	<b>\$830</b>	<b>\$1,063</b>	<b>\$1,361</b>	<b>\$28,364</b>

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
<b>Net New FTE Jobs</b>									
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
<b>Total</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>

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

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

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 a semi-passive use.

- 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

---

# Appendix: Balancer of Full Report

---

# Key Questions and Headlines

---

---

# Key Questions

- Based on the results of the market, financial and impact analysis, what are HSP's conclusions related to the highest and best use development for the Firehouse Properties site in Tahoe City?
- How do key local stakeholders and other city and county officials view the two proposed redevelopments of the site. What are the key challenges and opportunities of each?
- What are the economic, demographic, and tourism trends of Tahoe City and North Lake Tahoe? How do they impact the opportunity for development on this site?
- What forces are influencing the commercial real estate market locally? How do area brokers and property owners view the opportunity for commercial development on this site? What are the challenges?
- What is the opportunity for community space in any new development at the Firehouse Properties site? How does the existing hotel situation impact that opportunity?
- What are the components of the Commonwell and Siren Arts proposals? How do potential future tenants view the opportunity? Based on the analysis of the market and financial realities, what are HSP's thoughts related to the long-term feasibility of both projects?
- What are the recommended next steps?



# Critical Issues for Commonwell

The critical concerns for the **Commonwell** may be able to be mitigated and it has the better chance of financial sustainability.

- Development cost too high to be supported by rents. Rents unrealistic as proposed. Once funded, however, it *could* succeed so long as rents are paid and occupancy is maintained. Given the location, HSP believes it will be one of the more valuable and favorable locations in the market. It should not require ongoing County support. If it did fail financially, a new buyer would purchase for a lower basis and reset the financial situation.
- Parking availability may be an issue to support the sales/rents projected. If parking is suitable, viability improves.
- Certain issues can be mitigated, such as community spaces/event spaces. Community desires indoor/outdoor event spaces.
- Overall, the concept is a compelling one and the vision is strong, but needs adjustments to work.
- *The items that could be added to appeal to the community will cost money and hurt financial viability. Catch-22 for any project and the key concern with Siren Arts as well.*



# Critical Issues for Siren Arts

Critical concerns for **Siren Arts** appear to be hard to mitigate, it has a lesser chance of sustainability, overlaps with an existing larger proposal.

- Financial concerns are very high both upfront and ongoing. To raise funds to develop the \$22+ million project, it will need to compete to raise funds from the same donors as the Stages at Northstar, which is further along in its \$60 million development process.
- Ongoing, HSP is extremely concerned that the Stages at Northstar will also vacuum up the content that is planned for Siren Arts. The Stages project will have 4 different venues and is seeking to accommodate the same smaller events as Siren Arts. The market does not appear large enough to support both. Siren Arts would want to assess this after Northstar is stabilized. But going from zero to two theater venues is a recipe for financial disaster.
- Even if Siren Arts was the only stage in town, it will need to mitigate ongoing financial operating losses that will be quite large. There is not current financial support for this, although it is planned. However, the Stages will also be looking to the same funders to sustain their annual operating losses. Regardless if the Stages is developed, the County would be unwise to risk this site to a project that has no ability to generate commercial financial resources and will be 100% reliant on donors and public sector upfront an ongoing.
- Parking is also a concern for events.



# Highest and Best Use Summary

Based on the results of the market and financial analysis, what are HSP's conclusions related to the highest and best use development for the Firehouse Properties site in Tahoe City?

The challenges presented to any development on this site are several:

- The uses allowed on the site are limited. For example, while a hotel-style project would be logical given the waterfront site, this use is not allowed and is too intensive given the restrictions on building envelope, drainage, etc.
- Parking limitations are a challenge for any use that draws significant parking, such as any event space.
- The building envelope that is allowed is fairly limited relative to the overall site size and revenue-generating designs and programs that could otherwise be developed.
- The overall cost to develop anything on the site will be relatively high and therefore will require either high revenue generation per square foot, or will require public upfront investment or long-term operating loss mitigation.
- The market can support special event space and quality retail/restaurant space, but cost of high-quality development is not supported by rents (for either special events or tenants, both of which are fairly seasonal).

The opportunities for development on the site include:

- Access to lake views
- Location within the heart of the Tahoe City commercial district
- A site that descends toward the water, allowing for potential access and views from street level, which then terrace down toward the water.



# Key Questions and Headlines - Market

What are the economic, demographic, and tourism trends of Tahoe City and North Lake Tahoe? How do they impact the opportunity for development on this site?

- The market is extremely seasonal and reliant on tourism for the majority of its economic activity. This puts pressure on all enterprises, whether commercial or nonprofit.
- As a second-home area, the area has many very high wealth residents and visitors with spending power that can be tapped for community arts, culture, recreation and environmental efforts. These also support ongoing commercial and entertainment enterprises, but again, are quite seasonal.
- The overall markets feeding North Lake Tahoe (NLT), including Reno, San Francisco, Sacramento and Los Angeles continue to grow at strong rates, which provides confidence in longer term opportunity. However, flat local year-round residential population exacerbates seasonality. Other area communities like Truckee have been thriving/growing while NLT communities have been often treading water.

What forces are influencing the commercial real estate market locally? How do area brokers and property owners view the opportunity for commercial development on this site? What are the challenges?

- Commercial success or failure is driven by three primary elements: seasonality, location and execution.
- Seasonality is a key limiting factor to success and during high seasons, traffic/parking limits opportunity to cash-in.
- Location and execution are the difference between commercial spaces that succeed and can get high rents and those that suffer vacancy and low rent rates. The location of the Firehouse is a very strong location for nearly any project, as it is essentially a key node of activity in Tahoe City (especially with the new hotel across the street), has views/access to Lake Tahoe and is along the main thoroughfare bringing residents and tourists through.
- Site constraints add to the cost of any project and this justifies county participation.



# 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.



# Key Questions and Headlines

What is the opportunity for community space in any new development at the Firehouse Properties site? How does the existing hotel situation impact that opportunity?

- The proposed Stages at Northstar will add more event space, although still will not provide the traditional conference and ballroom spaces that many user groups need (local and in-bound).
- Additional function space (ballroom and meeting rooms) would help with in-bound group tourism from corporations, social (weddings, fundraisers) and fill a key gap in the NLT market. However, the financial viability of event facilities is usually tough and requires support. Any addition of this or inclusion of such space in the project, as is already proposed, generates impact but hurts financial viability.

What are the next steps?

- Even if a current proposal can be adjusted, the County owes itself and the community an opportunity to have a competitive process with a clear set of expectations that the best team can present, knowing full-well what the County will commit to and its expectations. To date, the decision matrix has been open enough to be interpreted quite differently amongst existing and potential bidders, which has resulted in the current diversity of proposals.
- The County can and should commit to a set amount of investment in the site and then request that the submitting groups both revise their proposals and secure tenant financing and contribution commitments in order to show that, with the County's limited funding, their project will be ready to move forward within six months.

# Chapter 1: Economic, Demographic and Tourism Analysis

---

# Overview

Located on the border between California and Nevada, Lake Tahoe is the largest alpine lake in North America and the largest freshwater lake in the Sierra Nevada region of the United States. Lake Tahoe is 22 miles long and 12 miles wide, with 72 miles of shoreline and a surface area of 191 miles.

With beautiful waters and a pleasant climate during the summer as well as optimal skiing and winter sports conditions in the winter, Lake Tahoe is a tourism destination for visitors from around the world. As such, many of the communities along Lake Tahoe are devoted to the tourism industry. These communities offer a wide variety of retail, restaurants, resorts, snow activities, water activities, hiking, biking and more.

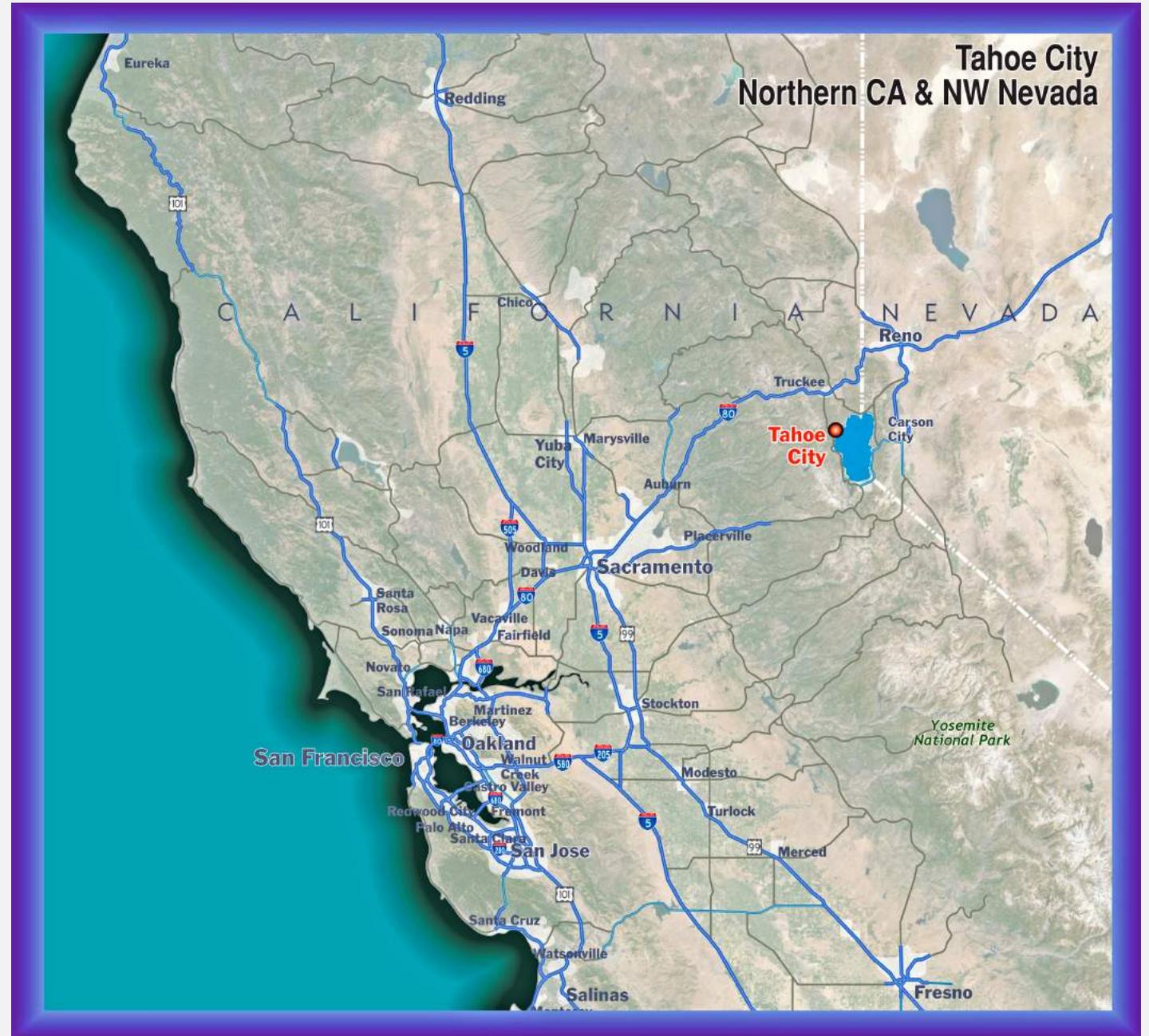
This chapter will highlight economic trends, as well as hospitality, tourism and attractions in the Lake Tahoe area that are directly relevant to the study.



# Access

Tahoe City is located on the northwestern portion of Lake Tahoe, 14 miles southeast of Donner Pass. The area can be reached directly by car, or indirectly by train or car. The nearest passenger train service is the Amtrak Station in Truckee, and the closest scheduled passenger airline service is available via the Reno Tahoe International Airport.

Tahoe City, under ideal conditions, is located within a two hour drive of Sacramento via Interstate 80 and, and one hour from Reno via California State Route 89.



# Population

Consistent with the other communities in the Tahoe Basin, Tahoe City experienced a significant decrease in population between 2000 and 2010. However, the population trends of the Tahoe Basin have reversed in recent years, and the Tahoe City population is growing at a rate consistent with the surrounding communities.

	Population and Growth Rates				Percent Change 2010 - 2018
	2000	2010	2018	2023 Projected	
United States	281,421,906	308,745,538	330,088,686	343,954,683	6.9%
California	33,871,648	37,253,956	39,806,791	41,456,909	6.9%
Sacramento-Roseville-Arden-Arcade MSA	1,796,857	2,149,127	2,335,072	2,467,212	8.7%
Placer County	248,399	348,432	390,628	421,519	12.1%
<b>Tahoe Basin Communities</b>	<b>12,127</b>	<b>10,493</b>	<b>11,308</b>	<b>12,045</b>	<b>7.8%</b>
Camelian Bay	665	524	567	607	8.2%
Dollar Point	1,709	1,215	1,312	1,401	8.0%
<b>Tahoe City</b>	<b>1,753</b>	<b>1,557</b>	<b>1,684</b>	<b>1,799</b>	<b>8.2%</b>
Tahoma	1,398	1,191	1,257	1,315	5.5%
Homewood	897	777	842	898	8.4%
Kings Beach	4,089	3,796	4,099	4,370	8.0%
Tahoe Vista	1,616	1,433	1,547	1,655	8.0%

Source: ESRI

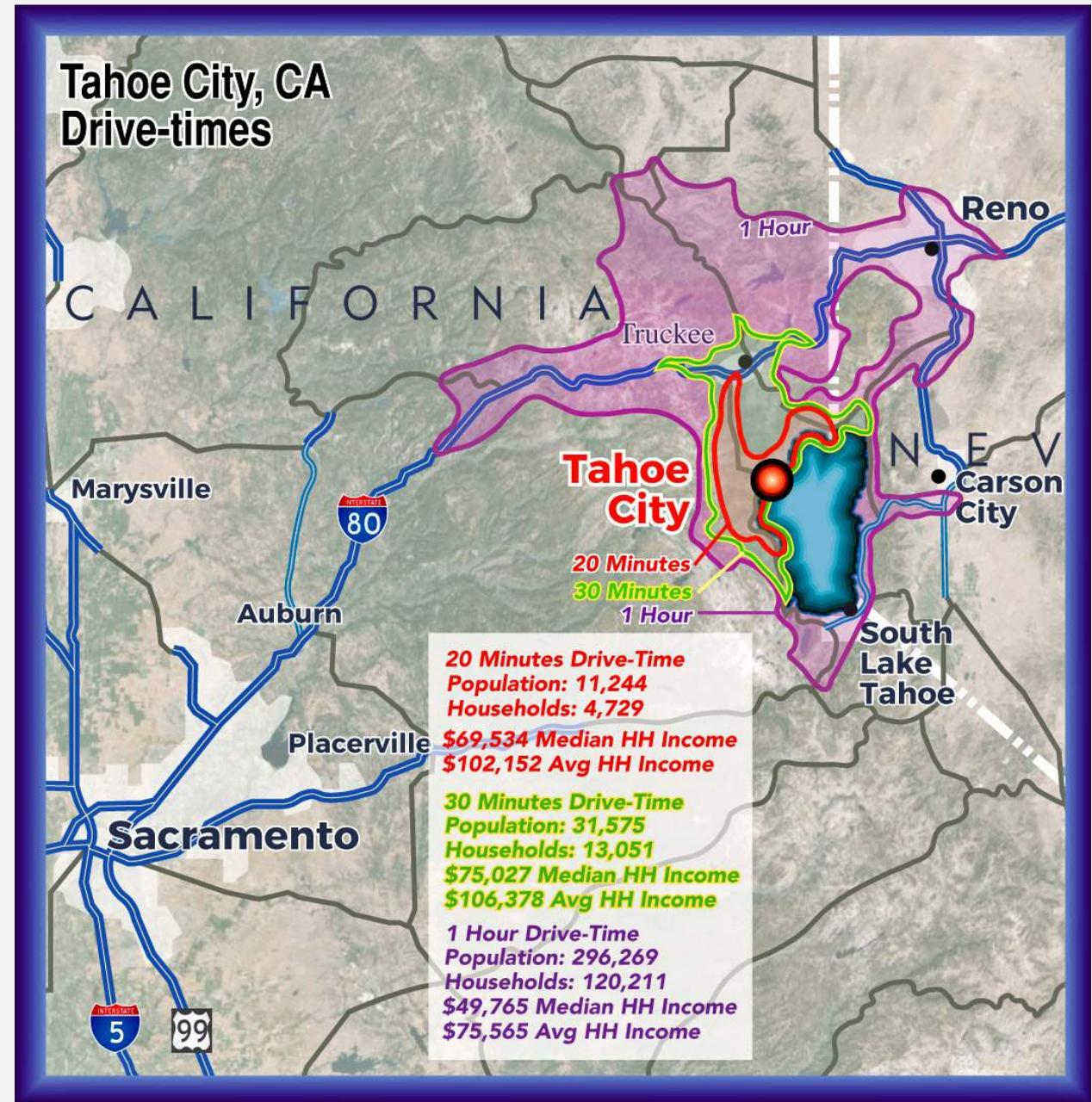
# Local Map



# Drive-Time Demographics

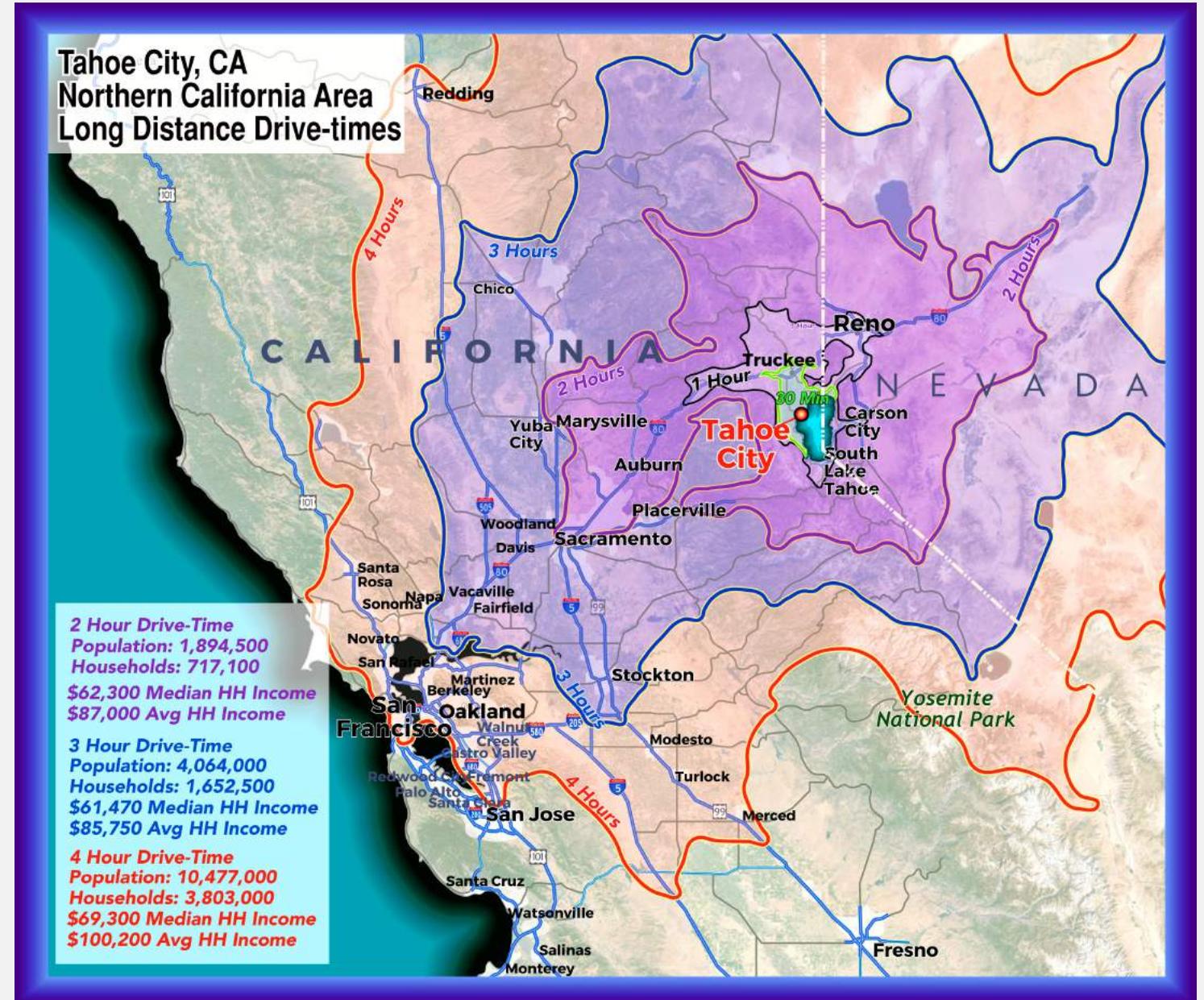
The 20- and 30-minute drivetimes are not well populated, with under 32,000 permanent residents living within the 30-minute drivetime. This suggests a strong reliance on weekend or seasonal tourism to support local businesses, such as those proposed for the Firehouse site.

Household income is very high in this area, but declines as drive-times and population increase.



# Drive-Time Demographics

The primary visitation comes from a four-hour population area, which includes Sacramento, Reno and nearly all of the Bay Area. This visitation supports the communities around Lake Tahoe during ski season, the summer and many weekends.



# Demographic and Income Summary

While the population and number of households of Tahoe City continues to increase, so does the median age. Income by household is expected to increase significantly over the next five years.

This trend is encouraging, given the decline in population that occurred during the previous twenty years.

## Tahoe City Demographic & Income Summary

	2010	2018	Projected 2023
Population	1,157	1,684	1,799
Households	744	803	857
Families	321	339	361
Average Household Size	2.08	2.09	2.09
Median Age	41.0	43.8	44.1

Source: ESRI

## Households by Income - Tahoe City

	2018		2023	
	Number	Percent	Number	Percent
<\$15,000	50	6.2%	41	4.8%
\$15,000 - \$24,999	41	5.1%	35	4.1%
\$25,000 - \$34,999	52	6.5%	45	5.3%
\$35,000 - \$49,999	85	10.6%	76	8.9%
\$50,000 - \$74,999	113	14.1%	108	12.6%
\$75,000 - \$99,999	87	10.8%	89	10.4%
\$100,000 - \$149,999	150	18.7%	167	19.5%
\$150,000 - \$199,999	94	11.7%	112	13.1%
\$200,000+	131	16.3%	183	21.4%

Source: ESRI

# Employment

The overall economy in the Tahoe Region continues to be driven by leisure and hospitality. This is expected to continue moving forward. One of the primary challenges with the hospitality and leisure sector is the wage level. Many times, these employees cannot afford to live in the communities in which they work, resulting in limited impact from local employees.

**Total Employment in the Tahoe Region by Industry, 2016**

Industry	Total Employment (000s)	Tahoe Region	Tahoe Region (%)	County Total (%)	California (%)	Location Quotient*
Leisure and Hospitality	4.0	+388	+9.2	+8.2	+3.8	4.7
Education/Health	0.2	+41	+25.3	+5.9	+3.7	0.2
Admin Support	0.4	+34	+10.0	+5.8	+2.5	0.8
NR/Construction	0.9	+25	+3.0	+12.2	+3.5	1.6
Fin. Svcs. And Real Estate	0.4	+24	+7.0	+4.9	+2.9	1.0
Trade	0.8	+22	+3.0	+0.3	+0.8	0.7
Other Svcs.	0.3	+18	+6.5	+9.0	+2.6	1.1
Manufacturing and Logistics	0.1	+5	+6.8	+2.6	+2.5	0.1
Information	0.0	-2	-3.6	-2.2	+7.3	0.2
Prof, Sci, Tech, and Mgmt	0.2	-17	-9.0	+5.8	+0.6	0.3
<b>Total Private</b>	<b>7.2</b>	<b>+489</b>	<b>+7.3</b>	<b>+5.4</b>	<b>+2.7</b>	<b>-</b>
Government	0.5	+21	+4.8	+3.6	+2.2	0.4
<b>Total</b>	<b>7.6</b>	<b>+510</b>	<b>+7.2</b>	<b>+5.2</b>	<b>+2.6</b>	<b>-</b>

Source: California Employment Development Department

**Total Employment in the Tahoe Region by Industry, 2016**

CDP	Employment			Avg. Annual Wage	
	Jobs (000s)	5-Year Change	5-Year Growth (%)	Level (\$000s)	5-Year Growth (%)
Tahoe City	2.7	-73	-2.6	40.2	+25.8
Olympic Valley	2.1	+300	+16.4	33.6	+11.2
Kings Beach	0.9	+154	+21.7	33.8	+16.9
Tahoe Vista	0.4	+17	+5.1	38.9	+1.5
Camelian Bay	0.3	+72	+29.6	39.7	+15.0
<b>Tahoe Region</b>	<b>7.6</b>	<b>+960</b>	<b>+14.4</b>	<b>37.0</b>	<b>+19.9</b>

Source: California Employment Development Department

# Airport

Located three miles southeast of downtown Reno and 50 miles northeast of Tahoe City, the Reno-Tahoe International Airport is the state of Nevada's second-busiest airport. The airport's top five destinations in 2018 were Las Vegas, Los Angeles, Denver, Phoenix, and Salt Lake City.

After exceeding 5,000,000 passengers in 2007, total traffic dropped below 3.3 million in 2014. However, as shown in the adjacent table, the airport was home to 4.2 million passengers in 2018, the fourth consecutive year of growth.

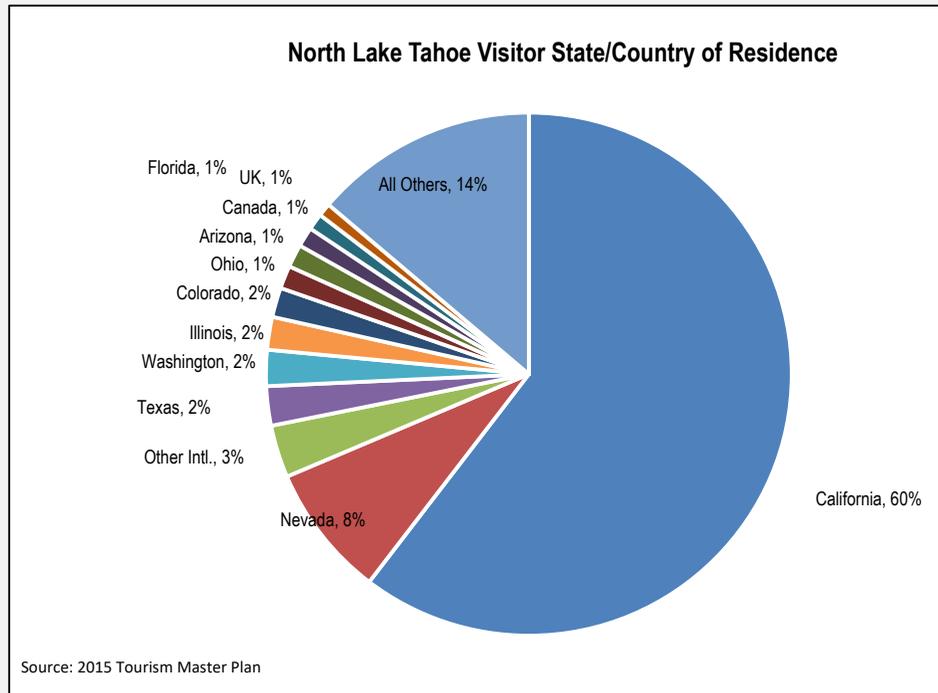
Reno-Tahoe International Airport			
Passengers			
	2017	2018	% Diff.
Jan	284,553	312,125	9.7%
Feb	286,322	296,726	3.6%
Mar	353,651	356,112	0.7%
<b>1st Quarter</b>	<b>924,526</b>	<b>964,963</b>	<b>4.4%</b>
Apr	302,078	325,428	7.7%
May	317,935	345,740	8.7%
Jun	367,600	389,103	5.8%
<b>2nd Quarter</b>	<b>987,613</b>	<b>1,060,271</b>	<b>7.4%</b>
Jul	400,754	414,529	3.4%
Aug	393,478	402,794	2.4%
Sep	345,280	362,831	5.1%
<b>3rd Quarter</b>	<b>1,139,512</b>	<b>1,180,154</b>	<b>3.6%</b>
Oct	336,433	347,591	3.3%
Nov	300,308	315,833	5.2%
Dec	326,989	341,283	4.4%
<b>4th Quarter</b>	<b>963,730</b>	<b>1,004,707</b>	<b>4.3%</b>
<b>TOTAL</b>	<b>4,015,381</b>	<b>4,210,095</b>	<b>4.8%</b>
<b>YTD Total</b>		<b>608,851</b>	

Source: Lake Tahoe Visitors Authority

# Visitation

According to the 2015 Tourism Master Plan, an estimate 68 percent of visitors to North Lake Tahoe are from California and Nevada. The majority come from the communities around San Francisco Bay, with others traveling from Los Angeles, San Diego, and Reno.

A 2014 Summer Intercept survey indicated that approximately 21 percent of visitors arrived by air, and 8 percent of visitors were international.



County	% Spending
Sacramento	10.2%
Santa Clara	9.5%
Placer	8.2%
San Mateo	7.5%
Alameda	6.5%
Los Angeles	6.5%
Marin	6.5%
San Francisco	5.8%
Contra Costa	4.8%
Sonoma	3.4%
San Diego	3.1%
Orange	3.1%
Santa Cruz	3.1%
Nevada	2.7%
El Dorado	2.0%
Ventura	2.0%
Riverside	2.0%
Fresno	2.0%

Source: 2015 North Lake Tahoe Tourism Master Plan

# Visitation

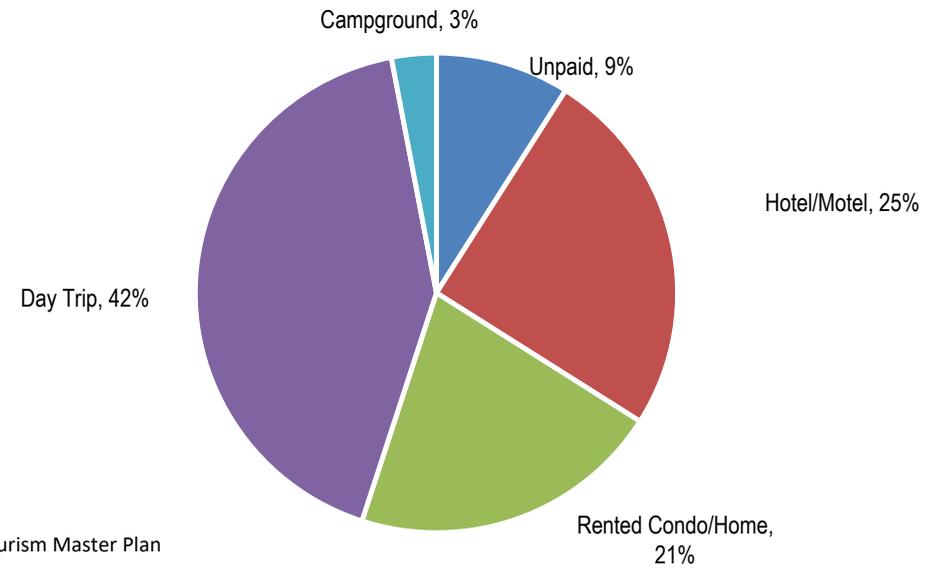


# Visitation

Annually, visitors spend more than \$500 million in North Lake Tahoe. Over 60 percent of employment and 51 percent of earnings can be attributed to tourism, according to the 2015 Tourism Master Plan.

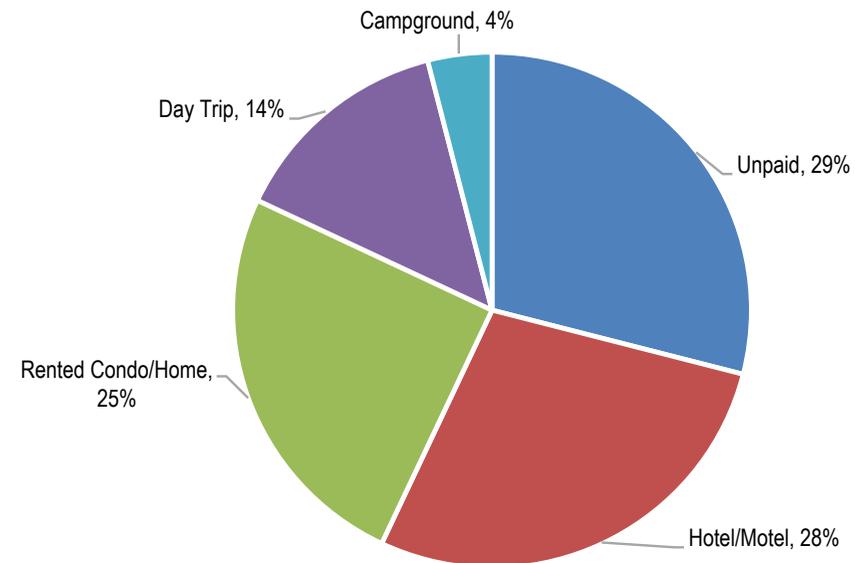
Although 42 percent of visitors to North Tahoe are day visitors, they contribute only 14 percent of all visitor days and 11 percent of total visitor spending. Overnight visitors arriving by air generate 28 percent of all visitor spending and stay, on average, for 5.5 days.

### North Lake Tahoe Visitor Trips by Type of Accommodation



Source: 2015 Tourism Master Plan

### North Lake Tahoe Visitor Days by Type of Accommodation



Source: 2015 Tourism Master Plan

# North Lake Tahoe

North Lake Tahoe is located in the Sierra Nevada Mountain Range in eastern Placer County. While the area is home to roughly 15,000 full-time residents, it is within a four-hour drive of approximately 13.4 million people. The area hosts an ideal year-round climate that allows for a wide variety of outdoor activities.

North Lake Tahoe includes the communities of Tahoma, Homewood, Sunnyside, Tahoe City, Carnelian Bay, Tahoe Vista, Kings Beach, Olympic Valley, Northstar, Martis Valley and Donner Pass.

Tourism is North Lake Tahoe's primary economic driver. It is estimated that visitors spend over \$500 million annually in North Lake Tahoe with over 60 percent of employment and 51 percent of earnings attributed to tourism.



# Existing Assets

# Tahoe City, California

**Population:** 1,557

## Overview

- Majority of attractions are trails, sights/landmarks, nature and/or parks, and snow/ski resorts
- Two museums offer historical and educational attractions for visitors
- One of the Top 28 Best Trips
- America's Best 4<sup>th</sup> of July Fireworks Display
- Top 10 Best Mountain Bike Destinations in the USA
- Top 10 Clearest Lakes in the US

## Tahoe City Top Attractions

Ranking	Attraction	Type
1	Inspiration Point Vista	Sights and Landmarks
2	Eagle Falls Trail	Trails
3	Commons Beach Park	Beach and Parks
4	Hellman-Ehman Mansion	Museums
5	Truckee River Bike Trail	Trails
6	Granlibakken Ski and Sled Area	Resorts
7	Ellis Peak Trail	Trails
8	Gatekeeper's Museum	Museums
9	Stateline Lookout	Sights and Landmarks
10	Skylandia Park	Nature and Parks

Source: TripAdvisor, Visit Placer County

# Kings Beach, California

**Population:** 4,099

**Distance from Tahoe City:** 9.1 miles

## Overview

- A "folksy" small town with family-run eateries and motels
- Known as the "banana belt" because of the almost non-stop sunshine
- Popular with families
- A good jumping off point for water activities and for those looking to hit one of the local resorts

## Kings Beach Top Attractions

Ranking	Attraction	Type
1	Kings Beach State Recreational Area	Nature and Parks
2	Blue Wolf Studio	Art Gallery
3	Full Throttle Tahoe	Outdoor Activities
4	Speedboat Beach	Beaches and Parks
5	North Tahoe Watersports	Outdoor Activities

Source: TripAdvisor, Tahoe.com

# Incline Village, Nevada

**Population:** 8,777

**Distance from Tahoe City:** 14.2 miles

## Overview

- Incline Village offers some of the most popular beaches on Lake Tahoe
- The area is home to some of California and Nevada's wealthiest residents and is considered a luxury destination
- The area is also home to several world-class ski and snow related attractions

## Incline Village Top Attractions

Ranking	Attraction	Type
1	Sand Harbor	Beach and Parks
2	Lake Tahoe Nevada State Park	Nature and Parks
3	Diamond Peak Ski Resort	Resort
4	Burnt Cedar Beach	Beach and Parks
5	Incline Beach	Beach and Parks
6	UC Davis Tahoe Environmental Research Center	Museum
7	Secret Cove Beach	Beach and Parks
8	Tahoe Meadows Whole Access Interpretive Trail	Trails
9	Alibi Ale Works and Brewery	Food and Beverage
10	Diamond Peak Ski and Snowboard School	Snow and Ski

Source: TripAdvisor, Visit Placer County

# Truckee, California

**Population:** 16,553

**Distance from Tahoe City:** 14.7 miles

## Overview

- Historic downtown Truckee has an Old-West feel and is an artistic hub
- Several resorts including Northstar are top attractions in Truckee
- In addition to downhill ski options, visitors can engage in snowmobile adventures and sledding opportunities through several of the top resorts and ski areas
- Donner Lake and surrounding parks offer a wide variety of summer activities for visitors as well

## Truckee Top Attractions

Ranking	Attraction	Type
1	Donner Memorial State Park	Nature and Parks
2	Northstar California	Resorts
3	Historic Downtown Truckee	Sights and Landmarks
4	KidZone Museum	Museums
5	Martis Peak Fire Lookout	Sights and Landmarks
6	Boreal Mountain Resort	Resorts
7	Tahoe Donner Downhill Ski Area	Snow and Ski
8	Donner Lake Watersports & Marina	Nature and Parks
9	Truckee Railroad Museum	Museums
10	Soda Springs Mountain Ski Resort	Resorts

Source: TripAdvisor, Truckee Chamber of Commerce, Visit Placer County

# South Lake Tahoe, California

**Population:** 21,978

**Distance from Tahoe City:** 30.2 miles

## Overview

- Eastern boundary of the City is the California-Nevada state line
- Home to Heavenly Ski Resort which is one of the most popular ski resorts in area
- Community is focused on tourism with retail shops, hotels, restaurants and beaches along the south shore of Lake Tahoe
- Home to Lake Tahoe Airport, a small public airport with one runway

## South Lake Tahoe Top Attractions

Ranking	Attraction	Type
1	Vikingsholm	Sights and Landmarks
2	The Gondola at Heavenly	Nature and Parks
3	Lower Eagle Falls	Nature and Parks
4	Tallac Historic Site	Sights and Landmarks
5	Taylor Creek Visitors Center	Traveler Resources
6	Mount Tallac Trail	Nature and Parks
7	Van Sickle Bi State Park	Nature and Parks
8	Rubicon Trail	Nature and Parks
9	Pope Beach	Beaches and Parks
10	Lakeside Beach	Beaches and Parks

Source: TripAdvisor, Tahoe South

# Tahoe Area Resorts

# Homewood Mountain Resort

**Location:** Homewood, California

**Distance from Tahoe City:** 6.7 miles

**Amenities:**

- 1,260 acres
- 280 steps from Lift to Lake Tahoe
- 8 lifts
- 67 runs
- The facility offers space for events and weddings as well as corporate and special events
- Lodging available at Homewood’s sister property the West Shore Café and Inn. The Inn features four suites, two guest rooms and two three—bedroom villas.



Confidential Final Draft 7-1-19

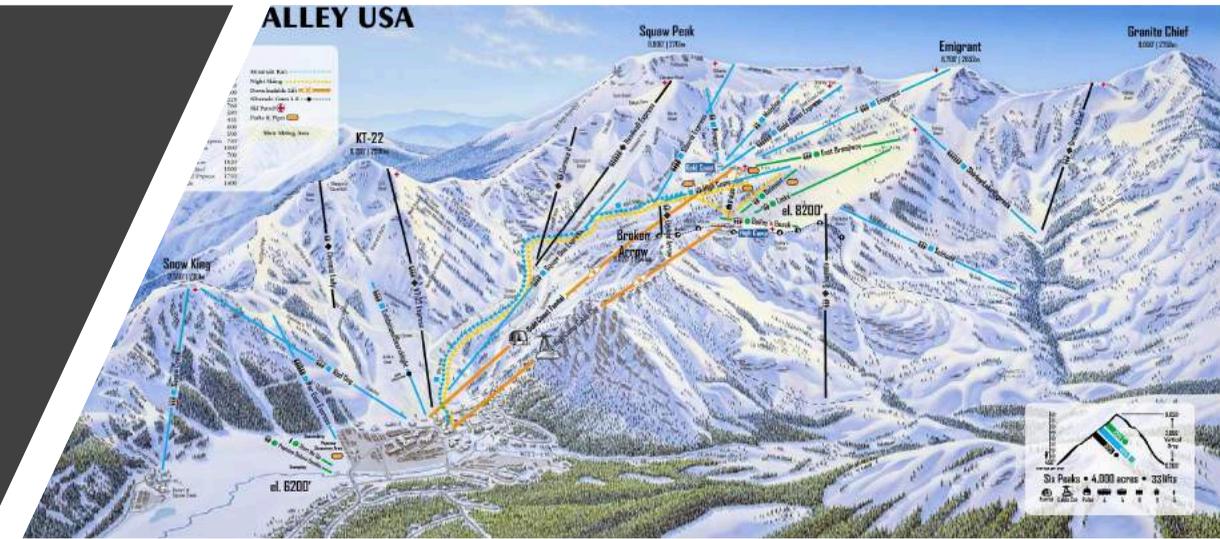
# Squaw Valley Alpine Meadows

**Location:** Olympic Valley, California

**Distance from Tahoe City:** 8.3 miles

**Amenities:**

- 6,000+ acres
- Two properties on one lift ticket: Alpine Meadows and Squaw Valley
- 42 lifts
- 16 bowls
- 270 trails
- Lodging available at The Village at Squaw Valley which includes 190 rooms, world-class amenities, condominiums ranging from 523 to 1,786 square feet, hot tubs, fitness facilities, spas, shops, conference facilities and more.



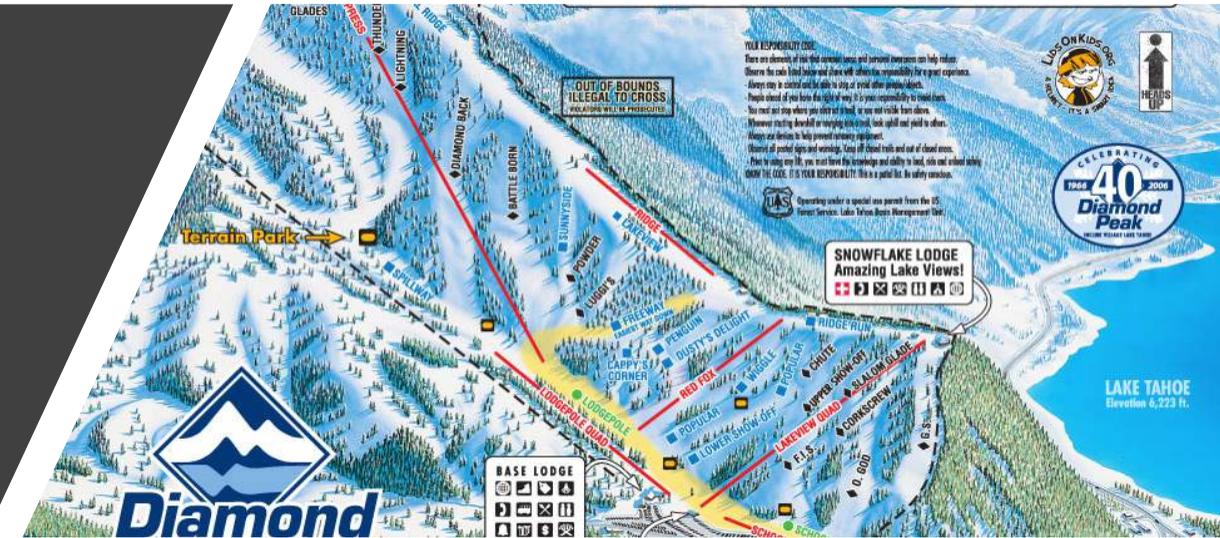
# Diamond Peak Ski Resort at Incline Village

**Location:** Incline Village, California

**Distance from Tahoe City:** 16.9 miles

**Amenities:**

- Summit 8,540 feet
- 2.5 mile longest run
- 1 high-speed detachable quad, 2 quads, 3 doubles, 1 surface lift
- Also offers child ski center, food and beverage options, a rental/repair shop and more
- Lodging available at partner properties in Incline Village and nearby Crystal Bay including Hyatt Regency Lake Tahoe Resort, Spa and Casino, Hyatt High Sierra Lodge, Sun Bear Vacation Rentals, Tahoe Biltmore Lodge and Casino, and Club Tahoe.



# Mt. Rose Ski Tahoe

**Location:** Reno, Nevada

**Distance from Tahoe City:** 23.8 miles

**Amenities:**

- 1,200 acres
- Summit 9,700 feet
- Longest run is 2.5 miles
- 60+ trails
- 2 six pack lifts, 2 quad chairs, 2 triple chairs, 2 surface lifts
- Lodging available at Winters Creek Lodge. The facility offers 200 guest rooms with seating for 115 at the bar. The facility also offers a 7,623-square foot deck that seats up to 400 guests.



# Northstar California Resort

**Location:** Truckee, California

**Distance from Tahoe City:** 24.4 miles

**Amenities:**

- 3,170 skiable acres
- 20 lifts
- 100 trails
- Ice rink
- Tubes, skis, snowmobiles, snowboards
- Summer activities include golf, hiking, and mountain biking
- Kids adventure zones: Skicology and Wagon Wheel
- Lodging available at Northstar Village which ranges from rooms at the Ritz Carlton to private houses and includes shops, dining, fitness facilities, yoga and more



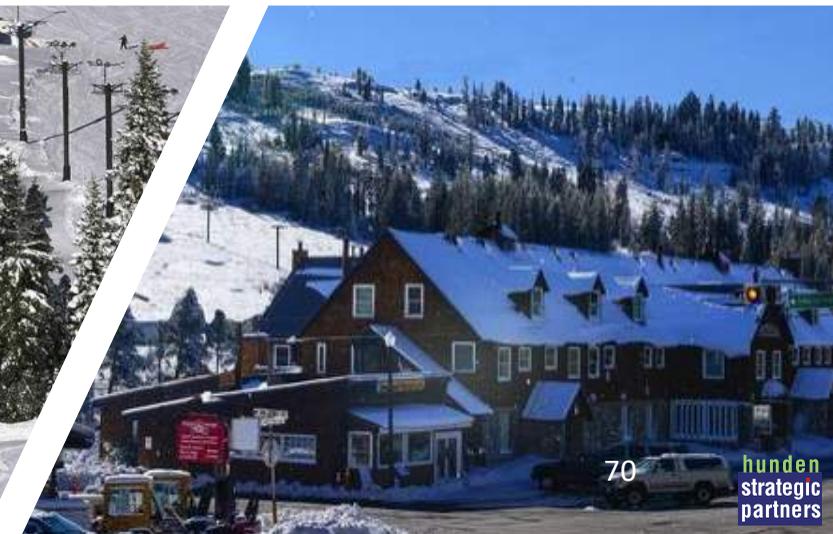
# Boreal Ski Resort

**Location:** Soda Springs, California

**Distance from Tahoe City:** 26.2 miles

**Amenities:**

- 380 skiable acres
- 9 lifts
- 41 runs
- Terrain park with bowls, half-pipes and boxes for snowboarders
- Lessons, snowmobiling, tubing, skiing, snowboarding
- As a small resort, there is no direct lodging available at Boreal but there are many options throughout the area



# Donner Ski Ranch

**Location:** Norden, California

**Distance from Tahoe City:** 27.3 miles

**Amenities:**

- 500 skiable acres
- 2 moving carpets
- 1,000 vertical feet
- 6 lifts
- Lessons, tubing, skiing, snowboarding
- Lodging is available at rustic cottages and the Tahoe Vista Lodge and Cabins as well as properties and vacation rentals in Donner Summit and Truckee.



Confidential - For Internal Use Only

hinden  
strategic  
partners

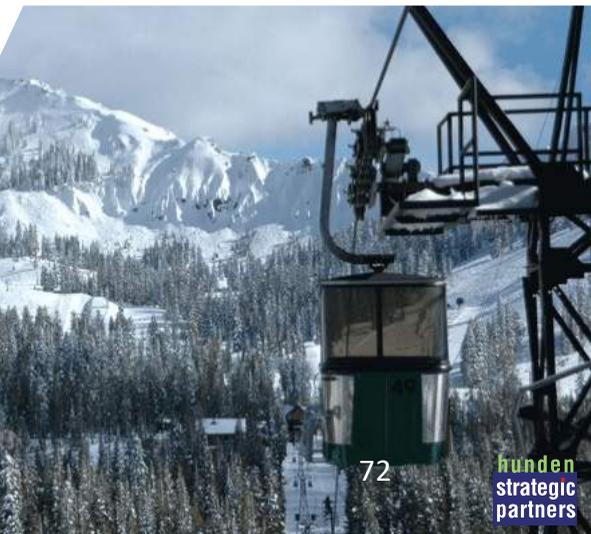
# Sugar Bowl Resort

**Location:** Norden, California

**Distance from Tahoe City:** 27.3 miles

**Amenities:**

- 1,650 skiable acres
- 1,500 vertical feet
- 12 lifts
- 100 trails
- Four Parks
- Wedding and event space, retail, lessons and more
- Lodging is available at the Hotel at Sugar Bowl as well as vacation rentals and properties in Donner Summit and Truckee.



Confidential and Proprietary 1-19

# Tahoe Donner Downhill Ski Resort

**Location:** Norden, California

**Distance from Tahoe City:** 27.3 miles

**Amenities:**

- 120 skiable acres
- 17 runs
- 5 lifts
- Marina, campground, equestrian center, golf course, retail, restaurant, tennis courts, biking, lessons, event space – some are open to public and some are only for members of the Tahoe Donner community
- Lodging is available at rustic cottages and the Tahoe Vista Lodge and Cabins as well as properties and vacation rentals in Donner Summit and Truckee.



Confidential Final Draft 7-1-19



# Heavenly Ski Resort

**Location:** South Lake Tahoe, California  
**Distance from Tahoe City:** 30.2 miles

**Amenities:**

- 4,800 skiable acres
- 3,500 vertical feet
- 9 high-speed lifts
- 28 chairlifts
- 97 trails
- Two terrain parks
- Event space, retail, lessons and more
- The resort's main lodging partners are Lakeland Village and Zalanta but there are additional homes, condos and lodging available as well



Confidential Final Draft 7-1-19

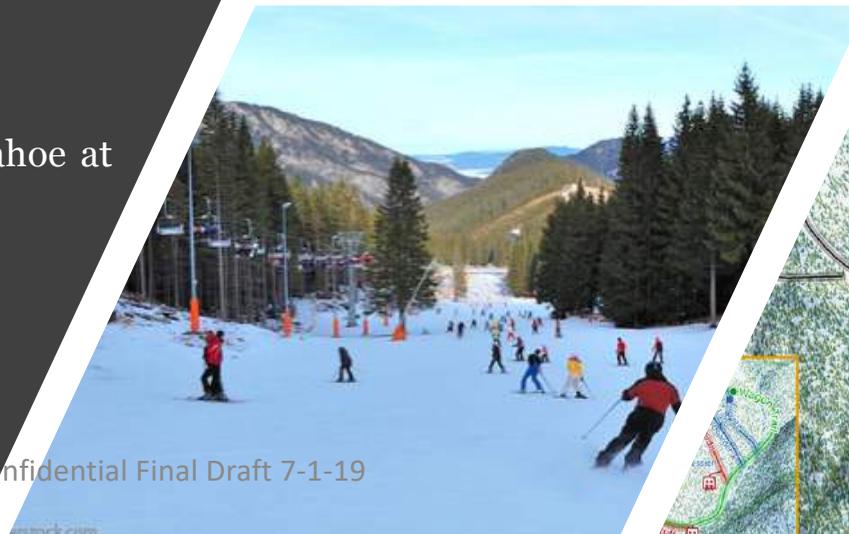
# Sierra at Tahoe Resort

**Location:** Twin Bridges, California

**Distance from Tahoe City:** 41.5 miles

**Amenities:**

- 2,000 skiable acres
- 2,212 feet of vertical drop
- 9 high-speed lifts
- 46 trails
- 3 miles of snowshoe trails
- 8 food outlets, 6 bars, backcountry center
- Event space, retail, lessons and more
- Lodging available along the South Shore of Lake Tahoe at any number of lodges and hotels.



Confidential Final Draft 7-1-19

hondan  
strategic  
partners

# Kirkwood Resort

**Location:** Kirkwood, California

**Distance from Tahoe City:** 56.6 miles

**Amenities:**

- 2,300 skiable acres
- 2,000 feet of vertical drop
- 15 lifts
- 86 trails
- Event space, retail, lessons and more
- Lodging available through a range of properties from slope-side studios and hotel rooms to large condos and homes.



# Chapter 2: Commercial Real Estate Market Analysis

---

# Competitive Situation/Market Data

# North Lake Tahoe Restaurant Supply



# Existing Supply – Tahoe City

The adjacent tables detail the existing restaurant and retail supply in Tahoe City. Currently, Tahoe City offers no fast food dining options. Fast food chains like Taco Bell and Starbucks have failed in the market due to the preferences of local residents to support local businesses over national chains.

Retail in the area primarily consists of small, independent boutique shops.

Tahoe City Restaurant Supply		
Restaurant Name	Type	Quality
Jake's on The Lake	Dinner	Casual Dining
Moe's Original BBQ	Lunch & Dinner	Casual Dining
Goose & Cheys's	Lunch & Dinner	Casual Dining
Tahoe City Sushi	Lunch & Dinner	Casual Dining
Hacienda del Lago	Dinner	Casual Dining
Za's Lakefront	Lunch & Dinner	Casual Dining
Fat Cat Bar & Grill	Lunch & Dinner	Casual Dining
The Blue Agave	Lunch & Dinner	Casual Dining
Thai Kitchen	Lunch & Dinner	Casual Dining
Bridgetender Tavern and Grill	Breakfast, Lunch & Dinner	Casual Dining
Front Street Station Pizza	Lunch & Dinner	Casual Dining
Spoon	Dinner	Casual Dining
West Shore Café and Inn	lunch & Dinner	Casual Dining
Chambers Landing Bar & Grill	Lunch & Dinner	Casual Dining
West Shore Pizza	Dinner	Casual Dining
Trails End Eatery	Breakfast, Lunch & Dinner	Casual Dining
Pete n' Peters	Lunch & Dinner	Fast Casual
Tahoe House Bakery Gourmet	Breakfast & Lunch	Fast Casual
Fire Sign Café	Breakfast & Lunch	Fast Casual
Rosie's Café	Breakfast & Lunch	Fast Casual
Mountain Slice	Lunch & Dinner	Fast Casual
Sugar Pine Cakery	Breakfast, Lunch & Dinner	Fast Casual
Pepper's	Lunch & Dinner	Fast Casual
Crest Café & Catering	Breakfast, Lunch & Dinner	Fast Casual
Wolfdale's Cuisine Unique	Dinner	Fine Dining
River Grill	Dinner	Fine Dining
Christy Hill	Dinner	Fine Dining
Bacci's Inn	Dinner	Fine Dining
River Ranch Lodge & Restaurant & Bar	lunch & Dinner	Fine Dining
Swiss Lakewood	dinner	Fine Dining

Source: Hunden Strategic Partners  
Confidential Final Draft 7-1-19

Tahoe City Retail Supply	
Retail Name	Type
NAPA Auto Parts	Auto Parts
Gravity Shop	Bicycle Shop
Olympic Bike Shop	Bicycle Shop
San Ramon Boat Center	Boat Dealer
Salvaged	Boutique
Fine n' Funky	Boutique
Lather & Fizz Bath Boutique	Boutique
Ruffles & Ruffnecks	Children's Clothing
Tahoe Logowear	Clothing
Typsy Gypsy Boutique	Clothing
Tahoe T-Shirtery	Clothing
3Potato	Clothing
CVS	Drug Store
Cabin Fever	Furniture Store
West Shore Market	Grocery
Market 28	Grocery
Safeway	Grocery
Swigards True Value Hardware	Home Improvement
Tahoe Specialty Flooring & Window	Home Improvement
Tahoe Diversities	Hot Tubes
Bluestone Jewelry	Jewelry
Truckee-Tahoe Lumber Company	Lumber Store
New Moon Natural Foods	Natural Goods
The Store Copies & More	Office Supply
Pet Station Tahoe City	Pet Store
Tahoe Tree Company	Plant Nursery
O M Hendriksen Shops	Shopping Mall
Cobblestone Center	Shopping Mall
Boatworks Shopping Mall	Shopping Mall
Alpenglow Sports	Ski Shop
Willard's Sport Shop	Sports Store
New & Used Tahoe Sports	Sports Store
Any Mountain	Sports Store
Tahoe Dave's Skis & Boards	Sports Store
Save Mart Supermarkets	Supermarket
Pass It On Thrift	Thrift Store

Source: Hunden Strategic Partners

# Existing Supply – Kings Beach/Crystal Bay

King's Beach & Crystal Bay Restaurant Supply		
Restaurant Name	Type	Quality
Lanza's	Dinner	Casual Dining
Hiro Sushi	Dinner	Casual Dining
Steamers Beach Side bar & Oven	Lunch & Dinner	Casual Dining
Jason's Beachside Grille	Lunch & Dinner	Casual Dining
Las Panchitas	Lunch & Dinner	Casual Dining
The Grid Bar & Grill	Lunch & Dinner	Casual Dining
Tacos Jalisco	Lunch & Dinner	Casual Dining
Caliente	Dinner	Casual Dining
Spindleshank's Tahoe	Lunch & Dinner	Casual Dining
CB's Bistro	Lunch & Dinner	Casual Dining
Martis Camp Beach Shack	Lunch & Dinner	Casual Dining
Jiffy's Pizza Tahoe Vista	Dinner	Casual Dining
Old Range Steakhouse	Dinner	Casual Dining
Starbuck's	Breakfast, Lunch & Dinner	Fast Casual
Java Hut	Breakfast & Lunch	Fast Casual
King's Café	Breakfast & Lunch	Fast Casual
The Burrito Window	Lunch	Fast Casual
Char-Pit	Lunch & Dinner	Fast Casual
Café Biltmore	Breakfast & Lunch	Fast Casual
Old Post Office Coffee Shop	Breakfast, Lunch & Dinner	Fast Casual
Pep's Place	Breakfast	Fast Casual
Taco Bell	Lunch & Dinner	Fast Food
Soule Domain	Dinner	Fine Dining
Gar Woods Grill & Pier	Lunch & Dinner	Fine Dining

Source: Hunden Strategic Partners

Confidential Final Draft 7-1-19

King's Beach & Crystal Bay Retail Supply	
Retail Name	Type
Front Porch	Antique Store
Sierra Shirts & Shades	Clothing
Fabulous Finds & Fashions	Clothing
7-Eleven	Convenience Store
Rite Aid	Drug Store
Blue Wolf Studios	Gift Shop
Jai Yen	Gift Shop
La Mexicana Meat Market	Grocery
North Shore Ace Hardware	Hardware Store
Lighting Showroom	Home Improvement
Lake Tahoe Specialty Stove	Home Improvement
Affordable Linen Services	Linen Store
King's Beach Liquor	Liquor Store
Tahoe Central Market	Market
Hot Diggity Dog & Cat	Pet Store
Lady Luck	Skate Shop
Tahoe Dave's Skis & Boards	Ski Shop
Adrift Tahoe	Sports Store
Lakeshore Sports	Sports Store
Tahoe 99 Center Store	Variety Store

Source: Hunden Strategic Partners

# Existing Supply – Incline Village

Incline Village Restaurant Supply		
Restaurant Name	Type	Quality
Lupita's Mexican Restaurant	Lunch & Dinner	Casual Dining
Brewforia Beer Market	Lunch & Dinner	Casual Dining
Crosby's Tavern & Gaming	Lunch & Dinner	Casual Dining
Clay Oven	Lunch & Dinner	Casual Dining
Mofos	Lunch & Dinner	Casual Dining
Koi Sushi	Lunch & Dinner	Casual Dining
Thai Recipe	Lunch & Dinner	Casual Dining
Inclined	Lunch & Dinner	Casual Dining
T's Mesquite Rotisserie	Lunch & Dinner	Casual Dining
Fredrick's Fusion Bistro	Dinner	Casual Dining
Bite American Tapas	Dinner	Casual Dining
Sunshine Deli & Catering	Breakfast & Lunch	Casual Dining
Gus' Open Pit BBQ	Dinner	Casual Dining
Jiffy's Pizza	Dinner	Casual Dining
Alebrjjes Mexican Bistro	Lunch & Dinner	Casual Dining
Rookies	Breakfast, Lunch & Dinner	Casual Dining
Azzara's	Dinner	Casual Dining
Cutthroats Saloon	Dinner	Casual Dining
Austin's Restaurant	Lunch & Dinner	Casual Dining
Chopsticks	Lunch & Dinner	Casual Dining
Tunnel Creek Café	Breakfast, Lunch & Dinner	Casual Dining
The Grille at The Chateau	Lunch & Dinner	Casual Dining
Bigfoot Deli	Breakfast & Lunch	Fast Casual
Port of Subs	Lunch & Dinner	Fast Casual
Starbucks	Breakfast, Lunch & Dinner	Fast Casual
FUMO Café	Breakfast, Lunch & Dinner	Fast Casual
Mountain High Sandwich	Breakfast & Lunch	Fast Food
Jack Rabbit Moon	Dinner	Fine Dining
Lone Eagle Grille	Lunch & Dinner	Fine Dining
Le Bistro	Dinner	Fine Dining
La Fondue	Dinner	Fine Dining
Big Water Grille	Dinner	Fine Dining
Source: Hunden Strategic Partners		

Incline Village Retail Supply	
Retail Name	Type
NAPA Incline Autoparts	Auto parts Store
Auto Service By Allan	Auto parts Store
The Bike Shop	Bicycle Store
Crystal Bay Marine	Boat Dealer
NuLeaf Lake Tahoe Dispensary	Cannabis Store
Grub's Temporary US-Cell	Cell phone Store
Victra	Cell phone Store
Alpine Telecom	Cell phone Store
Mountain Uniforms & Private	Clothing
Thoms Jean's	Clothing
Tienda Latina	Convenience Store
7-Eleven	Convenience Store
North Tahoe Knits	Craft Store
Halogen Systems	Electronics Store
Bellissimo	Florist
Handmade at the Lake	Gift Store
The TAHE Kitchen & Bath Gifts	Gift Store
The Potlach	Gift Store
Village Market	Grocery
Village Meats	Grocery
Nuestro Sueno	Grocery
Bonetaria Sammy	Grocery
Raley's	Grocery
Tahoe Supply	Hardware Store
Village Ace Hardware	Hardware Store
High Sierra Gardens, Inc	Home Improvement
Woodstove Distributors, Inc	Home Improvement
Simonian Flooring	Home Improvement
Spitsen True Value	Home Improvement
N-Style ID	Jewelry
Forever Rox Fine Jewelry	Jewelry
Incline Liquor	Liquor Store
Argent Marine Management, Inc	Marine Supply
Rainbow Office Supply	Office Supply
Picnicessentials.com	Outdoors
Pet Station	Pet Store
Pak Mail	Shipping Company
Village Ski Loft	Ski Shop
Incline Village Farmers Market	Super Market
Wired Solutions	Technology
Tahoe Family Solutions Store	Thrift Store
Presbyterian Women's Thrift	Thrift Store
Foothill Smoke Shop	Tobacco Store
Village Toys	Toy Store
Tahoe T-Shirts Toys & Games	Toy Store
Tiendita de a Dólar y Mas	Variety Store
Source: Hunden Strategic Partners	

## Placer County Retail Market Performance

Placer County retail rental rates, as of February 2019, have demonstrated a slight increase over the 5-year average with a NNN rent per square foot of \$18.70. Vacancy rates throughout the County are below 5 percent, suggesting healthy market conditions.

### Placer County Retail Report - 2/19

Availability	Survey	5-Year Avg
NNN Rent Per SF	\$18.70	\$16.97
Vacancy Rate	4.3%	6.0%
Vacant SF	928,481	1,284,913
Availability Rate	5.3%	7.2%
Available SF	1,158,916	1,547,735
Sublet SF	20,349	48,844
Months on Market	19.5	24.7

Source: CoStar

### Placer County Retail Report - 2/19

Sales	Past Year	5-Year Avg
Sales Price Per SF	\$242	\$238
Asking Price Per SF	\$371	\$255
Sales Volume (Mil)	161	192
Cap Rate	6.6%	6.9%

Source: CoStar

## Placer County Retail Market Performance

The development of new retail is slowing throughout Placer County, consistent with trends throughout the United States.

### Placer County Retail Report - 2/19

Inventory	Survey	5-Year Avg
Existing Buildings	1,655	1,637
Existing SF	21,579,984	21,358,171
12 Mo. Const. Starts	160,673	133,935
Under Construction	155,349	168,098
12 Mo. Deliveries	52,000	185,700

Source: CoStar

### Placer County Retail Report - 2/19

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	83,547	337,566
12 Mo. Leasing SF	566,117	664,981

Source: CoStar

# ESRI Leakage Analysis 30-Min Drivetime

Red indicates no gap in supply of retail/restaurant, while green indicates a gap or implied leakage.

Based on the analysis of local supply, there is some gap in retail (\$15 million per year), but restaurants/bars are oversupplied. However, this must consider the tourism market, which drives more demand than local residents.



## Retail MarketPlace Profile

222 Fairway Dr, Tahoe City, California, 96145  
Drive Time: 30 minute radius

Prepared by Esri  
Latitude: 39.16697  
Longitude: -120.14790

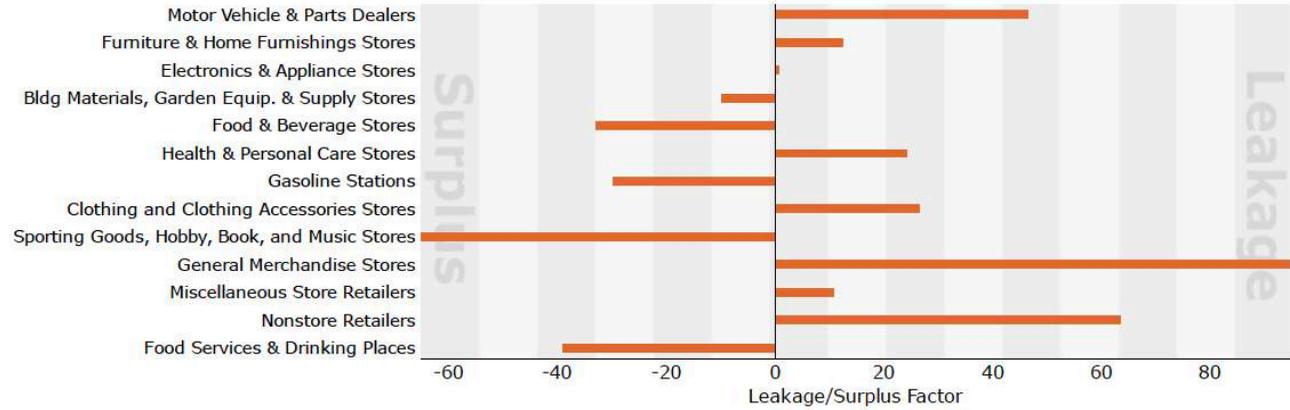
Summary Demographics						
2018 Population						31,581
2018 Households						13,016
2018 Median Disposable Income						\$59,831
2018 Per Capita Income						\$43,716
2017 Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$594,536,295	\$655,484,310	-\$60,948,015	-4.9	496
Total Retail Trade	44-45	\$534,953,198	\$519,513,704	-\$15,439,494	1.5	327
Total Food & Drink	722	\$59,583,097	\$135,970,606	-\$76,387,509	-39.1	169
2017 Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$110,823,380	\$40,230,869	\$70,592,511	46.7	25
Automobile Dealers	4411	\$88,176,188	\$2,536,396	\$85,639,792	94.4	3
Other Motor Vehicle Dealers	4412	\$13,004,863	\$32,098,756	-\$19,093,893	-42.3	14
Auto Parts, Accessories & Tire Stores	4413	\$9,642,329	\$5,595,716	\$4,046,613	26.6	8
Furniture & Home Furnishings Stores	442	\$19,764,172	\$15,302,071	\$4,462,101	12.7	20
Furniture Stores	4421	\$10,460,562	\$5,138,090	\$5,322,472	34.1	6
Home Furnishings Stores	4422	\$9,303,610	\$10,163,981	-\$860,371	-4.4	13
Electronics & Appliance Stores	443	\$19,007,539	\$18,712,758	\$294,781	0.8	14
Bldg Materials, Garden Equip. & Supply Stores	444	\$33,376,247	\$40,723,463	-\$7,347,216	-9.9	33
Bldg Material & Supplies Dealers	4441	\$31,252,511	\$38,788,450	-\$7,535,939	-10.8	30
Lawn & Garden Equip & Supply Stores	4442	\$2,123,736	\$1,935,013	\$188,723	4.6	3
Food & Beverage Stores	445	\$85,873,494	\$169,930,433	-\$84,056,939	-32.9	38
Grocery Stores	4451	\$73,932,107	\$159,968,658	-\$86,036,551	-36.8	18
Specialty Food Stores	4452	\$5,718,303	\$5,874,626	-\$156,323	-1.3	13
Beer, Wine & Liquor Stores	4453	\$6,223,084	\$4,087,149	\$2,135,935	20.7	7
Health & Personal Care Stores	446,4461	\$37,030,746	\$22,448,314	\$14,582,432	24.5	17
Gasoline Stations	447,4471	\$48,379,503	\$89,347,591	-\$40,968,088	-29.7	16
Clothing & Clothing Accessories Stores	448	\$38,014,512	\$21,991,059	\$16,023,453	26.7	50
Clothing Stores	4481	\$26,824,690	\$16,087,241	\$10,737,449	25.0	35
Shoe Stores	4482	\$4,592,244	\$2,365,689	\$2,226,555	32.0	6
Jewelry, Luggage & Leather Goods Stores	4483	\$6,597,578	\$3,538,129	\$3,059,449	30.2	9
Sporting Goods, Hobby, Book & Music Stores	451	\$16,704,267	\$78,900,320	-\$62,196,053	-65.1	51
Sporting Goods/Hobby/Musical Instr Stores	4511	\$14,367,221	\$78,064,230	-\$63,697,009	-68.9	49
Book, Periodical & Music Stores	4512	\$2,337,047	\$836,090	\$1,500,957	47.3	2
General Merchandise Stores	452	\$90,979,364	\$2,296,629	\$88,682,735	95.1	4
Department Stores Excluding Leased Depts.	4521	\$55,806,767	\$1,034,942	\$54,771,825	96.4	1
Other General Merchandise Stores	4529	\$35,172,598	\$1,261,687	\$33,910,911	93.1	3
Miscellaneous Store Retailers	453	\$20,405,386	\$16,383,227	\$4,022,159	10.9	55
Florists	4531	\$956,722	\$582,236	\$374,486	24.3	5
Office Supplies, Stationery & Gift Stores	4532	\$4,342,240	\$1,711,981	\$2,630,259	43.4	11
Used Merchandise Stores	4533	\$2,370,362	\$2,846,775	-\$476,413	-9.1	13
Other Miscellaneous Store Retailers	4539	\$12,736,062	\$11,242,236	\$1,493,826	6.2	25
Nonstore Retailers	454	\$14,594,586	\$3,246,970	\$11,347,616	63.6	3
Electronic Shopping & Mail-Order Houses	4541	\$12,338,704	\$0	\$12,338,704	100.0	0
Vending Machine Operators	4542	\$241,760	\$0	\$241,760	100.0	0
Direct Selling Establishments	4543	\$2,014,122	\$3,246,970	-\$1,232,848	-23.4	3
Food Services & Drinking Places	722	\$59,583,097	\$135,970,606	-\$76,387,509	-39.1	169
Food Services	7223	\$1,078,865	\$1,984,517	-\$905,652	-29.6	5
Drinking Places - Alcoholic Beverages	7224	\$2,173,523	\$3,317,380	-\$1,143,857	-20.8	10
Restaurants/Other Eating Places	7225	\$56,330,709	\$130,668,709	-\$74,338,000	-39.8	154

Confidential Services Draft 7-1-19

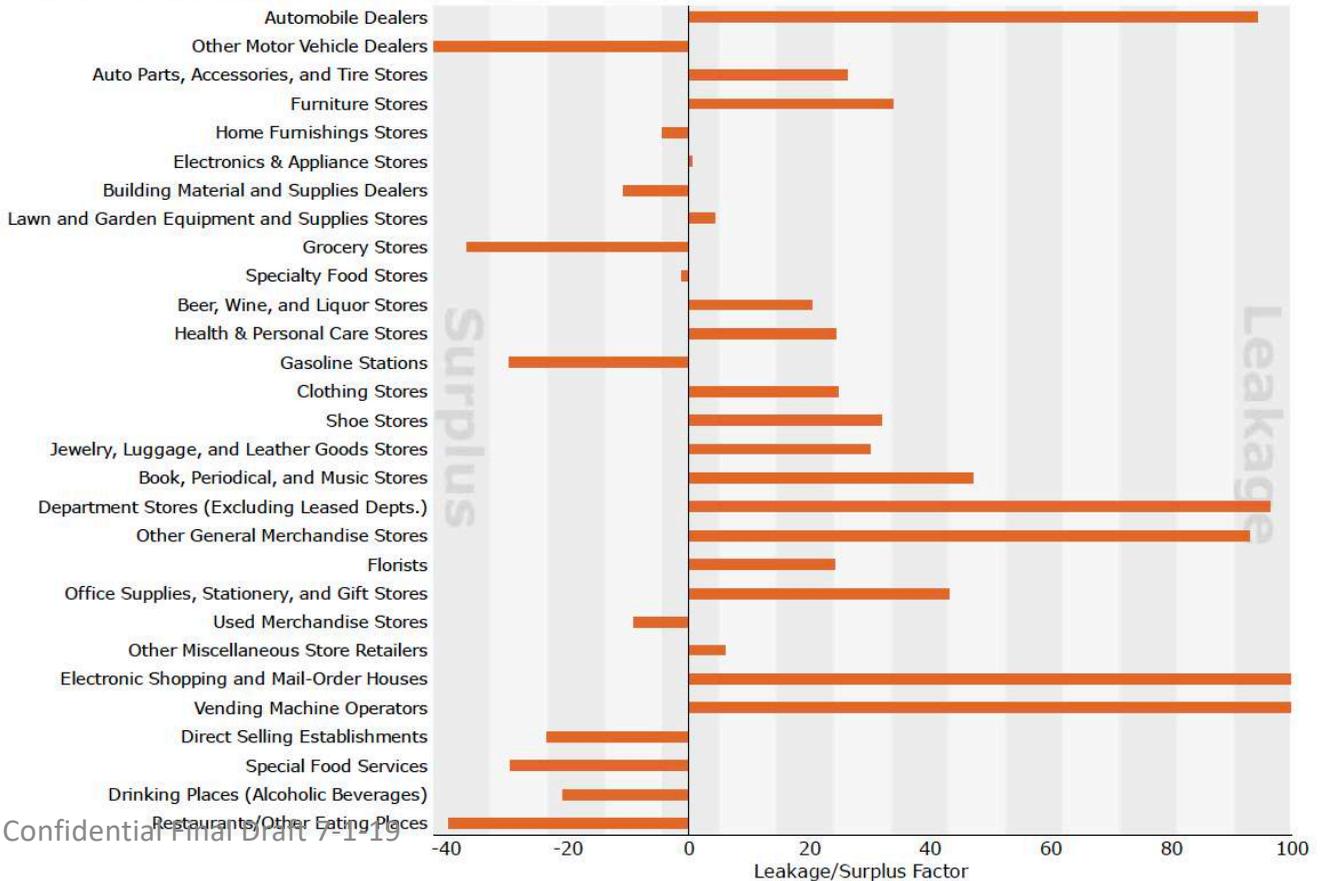
# ESRI Leakage Analysis 30-Min Drivetime

These graphs show the prior information and illustrate the index or factor of leakage or surplus.

2017 Leakage/Surplus Factor by Industry Subsector



2017 Leakage/Surplus Factor by Industry Group



# Rent Comparables

The table below (from 2017) presents data on retail rent comparable throughout North Lake Tahoe. Asking rents for the properties range from \$16.20 per Square foot up to \$37.20 per square foot.

## Retail Rent Comparables

### Leases Space

Address	City	State	Year Built	(Sq. Ft.)	Type	Asking Rent	Executed	Terms
589 N Lake Blvd	Tahoe City	CA	1948	970	Office/Retail	\$37.20	Nov-15	NNN
120 Grove Street	Tahoe City	CA	NA	6,400	Retail	\$30.00	May-14	NNN
531 N Lake Blvd	Tahoe City	CA	1972	2,800	Office	\$24.00	Jun-16	NNN
243 N Lake Blvd	Tahoe City	CA	1963	650	Office/Retail	\$24.00	Mar-16	NNN
8710 N Lake Blvd	Kings Beach	CA	1948	950	Retail	\$24.00	Jan-14	NNN
840-850 N Lake Blvd	Tahoe City	CA	1975	6,064	Retail	\$23.40	Sep-16	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	400	Retail	\$23.40	Sep-15	NNN
925 N Lake Blvd	Tahoe City	CA	1980	1,806	Retail	\$21.00	Jan-17	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	900	Retail	\$16.20	Jun-16	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	1,100	Retail	\$16.20	Jun-16	NNN

Source: CoStar

# Office Market

The Placer County office market has experienced almost twice the vacancy rate of the retail market over the last five years, according to 2019 CoStar data.

## Placer County Office Report - 2/19

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$22.62	\$20.71
Vacancy Rate	10.2%	10.9%
Vacant SF	1,574,309	1,655,174
Availability Rate	11.9%	14.5%
Available SF	1,877,068	2,245,386
Sublet SF	161,381	102,972
Months on Market	10.9	18.3

Source: CoStar

# Market Feedback



# County Representatives Feedback

- The County is potentially able (thought not guaranteed) to provide funds for a capital project, but it is important that any development does not require ongoing subsidies moving forward. The ongoing operational feasibility of any project is the County's primary concern moving forward, along with funding, community impact, and physical restrictions of the site.
- The culture of Tahoe City has changed over the last 20 years. Tahoe City used to be the center of activity, and while summers are still crowded, the resorts are now the primary activity centers. The commercial corridor in Truckee has caught up as well. Any project should drive activity to the downtown core of Tahoe City.
- Many homes sit vacant throughout the year. Employees travel from Reno due to lack of affordable living options locally. This should be considered in the analysis.
- The visitor market is responsible for approximately 80 percent of the total economy in the market, primarily throughout the summer months. What type of project can survive throughout the shoulder months and offseason?
- Any new development would be a long-term lease. The land will not be sold to developers.
- There is a thought among some locals that an outdoor plaza would be appropriate, but the majority of local stakeholders believe there is already enough open space and outdoor activity in the market. Indoor activity is lacking in the market.
- Does the market have the populations to support a commercial development similar to Oxbow? Tahoe City is not Napa.
- There are two primary objectives of a new development on the Firehouse Properties site: economic development and community engagement. Economic development, however, must be within a limited investment parameter for the County (upfront and ongoing). Each of the proposed projects aims to achieve those, though to different extents.
- There is a limit on the buildable envelope of the project on the site. The limitations restrict financial viability, potentially. The likely limits were made known late in the process. This limits the projects' sizes.



# Stakeholder Feedback – Siren Arts & Commonwell

- The Firehouse Properties site presents tremendous opportunity for Tahoe City, but there is frustration that there is still nothing is in motion. This is the gateway to the community and there is one shot to get it right.
- Just because the site is available for redevelopment does not mean that it must be one of these two options. While these proposals are interesting conceptually, development cannot be forced on this site.
- It is important that any new projects consider the ancillary components of any new developments, such as the bike path. This is an area of concern for many local residents.
- The market lacks multi-use and performing arts space. Residents are currently leaving Tahoe City for these experiences. Any new arts component would be an asset to the community. With that said, there is also a strong appetite for new retail outlets and dining options. A contingent of local stakeholders supports a hybrid of the two proposals.
- Tahoe City lacks a central gathering place for small conferences, meetings, and other events. Any new development that features event space would be a tremendous asset to the community.
- The aquatics component of the Commonwell proposal seems out of place with the goals of the project.
- There is a significant gap of indoor facilities with activities geared towards kids who are not into sports. Siren Arts would accommodate that need. While the majority of stakeholders believe a full-scale development is crucial, others believe the site could feature smaller amenities (café, food trucks, recreational rentals) that support activity at Commons Beach.
- The Tahoe City Downtown Association is interested in bringing events and speakers to a new event space in the community. These types of events are occurring in surrounding communities, but not Tahoe City. They would love to have somebody on the Siren Arts board to allow for synergy between the two organizations, and would not be opposed to shared staffing to save costs, if possible.
- While there is support for arts space in the community, artist lofts or artist spaces may not be the highest and best use of space at this site.
- Commonwell would provide completely new and unique experiences to both residents and visitors of the community. However, there is concern that the community can support that quality of commercial development.
- The mission of the community should have the interests of the community at its forefront. However, financial operating feasibility is critical. <sup>7</sup>



# Stakeholder Feedback - Retail

- There is already vacant retail space throughout Tahoe City. How will this project maintain its activity throughout the year, including the shoulder seasons? What makes it unique?
- The majority of the attractive, destination retail spaces in Tahoe City are real estate companies. There is a lack of true retailers locally.
- Much of the commercial supply in Tahoe City is 30 to 40 years old. The lack of quality retail options may skew the performance of the retail market locally.
- While there is vacancy throughout the commercial corridor in Tahoe City, local stakeholders believe that it is due to the lack of quality space, not demand. With new, high-quality development, tenants will want to be in Tahoe City. The market has also been plagued by poor landowners and high rents, which has restricted new businesses from coming to Tahoe City. This has resulted in rents ranging from \$1 to \$3 per SF.
- Seasonality presents major concerns for any new commercial development. Many local businesses stay open throughout the offseason months strictly for their employees. Restaurants take breaks throughout the year.
- The development of subsidized on-site shops and dining in Squaw Valley and Northstar present the greatest challenge to commercial development in Tahoe City. Visitors are no longer traveling to Tahoe City for shopping and dining experiences.
- Approximately 9 out of 10 homes that sell were once inhabited by full-time residents and are now vacation homes. This impacts retailers.
- The development of new homes in Truckee over the last 20 years has boosted its commercial base. Much of the working class in Tahoe City moved to Truckee for a more affordable lifestyle.
- National chains, such as Starbucks, have failed locally. There is little appetite for national brands in Tahoe City.



# Local Broker #1 Feedback

- In the 70s, winter tourism traffic would funnel to Tahoe City restaurants and shops. Once the ski resorts went through a development renaissance, Tahoe City was left behind. Retailers use to perform very well in the summer and winter seasons, but winter has slowed significantly due to development at Squaw Valley and Truckee. Summer has always outpaced winter, and will continue to do so.
- When analyzing the opportunity for development at this site, the focus should be on drawing visitors and residents to the commercial corridor. The hotel will be a game changer in the market, as there is currently nowhere for upper middle class guests to stay in the market. With more visitors on the streets with spending power, local retails will benefit. Any new development should leverage that advantage.
- The primary challenge with any new commercial development will be supportable lease rates. Boatworks mall is attracting \$3.25 per square foot plus CAM, while Cobblestone is a little less, turning the key at \$2.75. Truckee supports much higher rents than Tahoe City.
- The Fat Cat Café lease is \$4 per square foot, including CAM expenses. This is currently the highest in the market.
- If the plan is to charge tenant \$4 per square foot or more, you are asking the development to fail. The sales potential in Tahoe City likely will not support those numbers.
- From a vacancy perspective, most of the retail space in the market is currently occupied. Boatworks Mall has vacancy, but this is primarily due to a lack of effort from manage to attract tenants. Outside of Boatworks, commercial vacancy is very low. Parking (in addition to previously described lease rates) will be a much greater challenge for any new commercial development than demand for space.
- The highest lease rate he would assume for new development would be \$3.25 including CAM, plus a percentage over a certain threshold.
- The ideal development would be a microbrewery restaurant with a back deck that could generate business from Commons Beach throughout the summer months.
- The key to success for any new commercial development will be generating significant revenue throughout the 3.5 month peak season.



## Local Broker #2 Feedback

- There are significant concerns about the financial feasibility of an arts and cultural center. That kind of project will be extremely difficult to pull off without ongoing public subsidies.
- The site presents a phenomenal location for any new development. If the direction is commercial, he would suggest retail downstairs.
- There are no comps in the market for \$4.00 commercial lease rates. The newest development, Customs House, was asking for \$4 per square foot and attracted one tenant. The County was the only viable tenant. Cannot imagine the market supporting those types of rents, even for a new commercial development.
- One of the primary vacation sites in the country, Tahoe City, is unable to support a Starbucks or Taco Bell. Traditional retail outlets struggle due to resistance from area residents.
- The Lakehouse Mall can generate \$3 per square foot lease rates plus CAM due to its location. This project could likely exceed that, but it cannot reach the numbers that have been proposed.
- There is a long history of unsuccessful commercial projects in Tahoe City. Pricing tenants out of the market right off the bat will present challenges to long-term sustainability.



## Local Broker #3 Feedback

- The seasonal market and impact of resort towns are fair concerns for any new development in Tahoe City, but the shoulder seasons seem to have gotten shorter in recent year. There has been a noticeable trend towards more visitors throughout the year (April and May) and more midweek visitors in the summer months. Fall is still quieter, but it seems to be improving.
- Historically there has been a good deal of turnover in the restaurant and retail market. However, restaurants are performing better in recent years. The influx of full-time residents from the bay area has been positive.
- Generally, building owners and commercial realtors in the market are not overly aggressive. This has limited the upside of the market.
- The Truckee market has experienced dramatic increases in lease rates over the last 10 year. This pushed out tenants of more than 30 years, but it seems to have balanced out.
- \$4.00 NNN rates in Tahoe City seems too high, but not impossible. Any new commercial development would need a solid list of tenants that can pay those rates.
- Most of the retail building in Tahoe City are old and run down. An increase in quality would certainly result in an increased rate over what currently exists.
- Typically, retail leases in the market are ranging from \$2 to \$3 per square foot.
- The residential market continues to be very strong locally. Multifamily residential development should definitely be explored, but it is likely that supply will outpace demand some time in the next five years.



# Local Appraiser Feedback

- There is tremendous opportunity for affordable housing development in Tahoe City. The return on investment is high, and there is significant demand for housing from labor employees and workers that want to live in the city.
- Similar with the theme around the country, e-commerce continues to impact the opportunity for retail and office spaces. Housing presents significantly less risk, as the entire Tahoe Basin is not adequately supplied from a housing perspective. A mixture of affordable and market rate units that overlook the lake would provide the greatest return on investment.
- From a commercial perspective, there are currently no vacant street properties in Tahoe City, and most of the mid-building main floor spaces are occupied. Second floor and back-of-property spaces tend to demonstrate the greatest vacancy.
- Most of the shops are primarily retail, including real estate offices. The highest NNN lease rates for street retail is \$3.50 per square foot, plus CAM and utilities. Most street-front buildings range from \$2.75 to \$3.50 per square foot.
- Lease rates at the back main level and second floor spaces range from \$1.75 to \$2.25 per square foot. Once you get to the back of the properties, lease rates can drop below \$1.50 per square foot.
- An overwhelming number of the commercial buildings in the market are more than 40 years old. A new, high-quality development in a premier location could generate higher rents than the current market suggests.
- Parking will likely be the greatest challenge with any commercial development on the Firehouse Properties site.



# Local Property Owner Feedback

- The biggest concern is that the proposed development seems to be unrealistic on rent expectations. The most comparable project to what is being proposed is Market 28, which struggled to attract customers.
- Retail in Tahoe City continues to struggle. Anything new that is developed will likely cannibalize existing business. The opportunity seems somewhat limited.
- A recently purchased building took five months to lease at a significantly lower rate (approximately \$1.70 per square foot) than they had originally planned. The level of demand for these types of spaces is concerning.
- The location of the site is its greatest advantage. It should be able to drive rates beyond what the current market supports. Established restaurants perform ok, however, high-end retail is a significant risk in this market.
- Any commercial project will be a function of the parking. This will be the primary challenge. An arts and cultural center will be much easier to accommodate from a parking perspective, as the demand will likely be more focused in the evenings.
- Any cultural development should feature indoor activities and spaces for kids in the winter time. This could be an arcade, climbing, interactive exhibits, or a multitude of other options. Such offerings are sorely lacking in the market.
- There is significant concern that the Stages at Northstar would directly compete with, and cannibalize, Siren Arts. The duplication of development could also hinder fundraising efforts.

# Chapter 3: Hospitality and Event Market Analysis

---

# Competitive Situation/Market Data



North Tahoe Competitive Meeting and Event Facilities										
Property	Location	Hotel Rooms	Total Function Space (SF)	Total SF/ Guest Room	Grand Ballroom (SF)	Other Ballroom (SF)	Total Ballroom (SF)	Ballroom SF/ Guest Room	Meeting Room (SF)	Total Room Divisions
<i>Lodging Establishments</i>										
Resort at Squaw Creek - Hyatt	Squaw Valley	345	23,840	69	9,525	5,120	14,645	42	9,195	8
Hyatt Regency Lake Tahoe	Incline Village	422	19,313	46	7,326	5,813	13,139	31	6,174	4
Granlibakken Conference Center and Lodge	Tahoe City	50	13,509	270	5,400	-	5,400	108	8,109	2
Ritz Carlton	Northstar	180	11,108	62	6,600	3,002	9,602	53	1,506	4
The Village at Squaw Valley	Squaw Valley	178	11,046	62	5,006	2,960	7,966	45	3,080	2
Tahoe Biltmore Lodge and Casino	Crystal Bay	92	6,435	70	6,435	-	6,435	70	-	-
Plump Jack Squaw Valley	Squaw Valley	61	5,758	94	2,900	2,858	5,758	94	-	-
Tahoe City Lodge*	Tahoe City	118	3,000	25	3,000	-	3,000	25	-	-
Squaw Valley Lodge	Squaw Valley	135	2,015	15	-	-	-	-	2,015	2
<i>Non-Lodging Establishments</i>										
North Tahoe Event Center	Kings Beach	-	8,090	-	4,838	1,992	6,830	-	1,260	1
Squaw's High Camp	Olympic Valley	-	7,700	-	7,700	-	7,700	-	-	-
The Chateau at Incline Village	Incline Village	-	5,200	-	5,200	-	5,200	-	-	-
Northstar Village	Northstar	-	3,630	-	-	-	-	-	3,630	4
MS Dixie (Paddle Boat)	South Lake Tahoe	-	2,500	-	-	-	-	-	2,500	-
Gar Woods Grill and Pier	Camelian Bay	-	2,250	-	-	-	-	-	2,250	1
Tahoe Gal (Paddle Boat)	Tahoe City	-	500	-	-	-	-	-	500	1
<b>Average</b>		<b>176</b>	<b>7,868</b>	<b>79</b>	<b>5,812</b>	<b>3,624</b>	<b>7,789</b>	<b>59</b>	<b>3,656</b>	<b>3</b>
*In Development										
Source: Cvent, Respective Facilities, Hunden Strategic Partners										

North Tahoe offers a collection of high-quality resort and hotel facilities with flexible and sizeable function space, as detailed in the adjacent table. The Resort at Squaw Creek, Hyatt Regency Lake Tahoe, and Ritz Carlton each offer multiple ballrooms and support breakout meeting rooms that are attractive to contemporary conventions and events. However, the market lacks quality, sizeable, non-resort event spaces that can host local events, weddings, and conference off-sites. Only the North Tahoe Event Center, Squaw's High Camp, and the Chateau at Incline Village can accommodate more than 150 guests in one location. The Tahoe City lodge is planner to feature approximately 3,000-square feet of function space.

# Meetings Supply



# North Tahoe Event Center

**Location:** Kings Beach, California

**Population:** 4,099

**Owner/Operator:** North Tahoe Public Utility District – Recreation and Park Department

## Overview

Located on the picturesque North Shore of Lake Tahoe, the North Tahoe Event Center offers a variety of space for gatherings large and small, indoor and out. Four of eight meeting rooms offer views of Lake Tahoe. The facility also offers an Artist Exhibit program for local artists to display their work in the facility. The most popular spaces for rental include:

- Lakeview Suite (with seating for 60 to 120)
- Lakefront Terrace (outdoor)
- Timberline Suite (with seating for 210)

Rental rates range from \$330 to \$5,500 depending on time and spaces rented.

**Feedback:** Conversations with local stakeholders and tourism representatives indicated that the facility is inadequate for a variety of events due to its disjointed layout, deteriorating condition, and lack of appropriate support amenities.



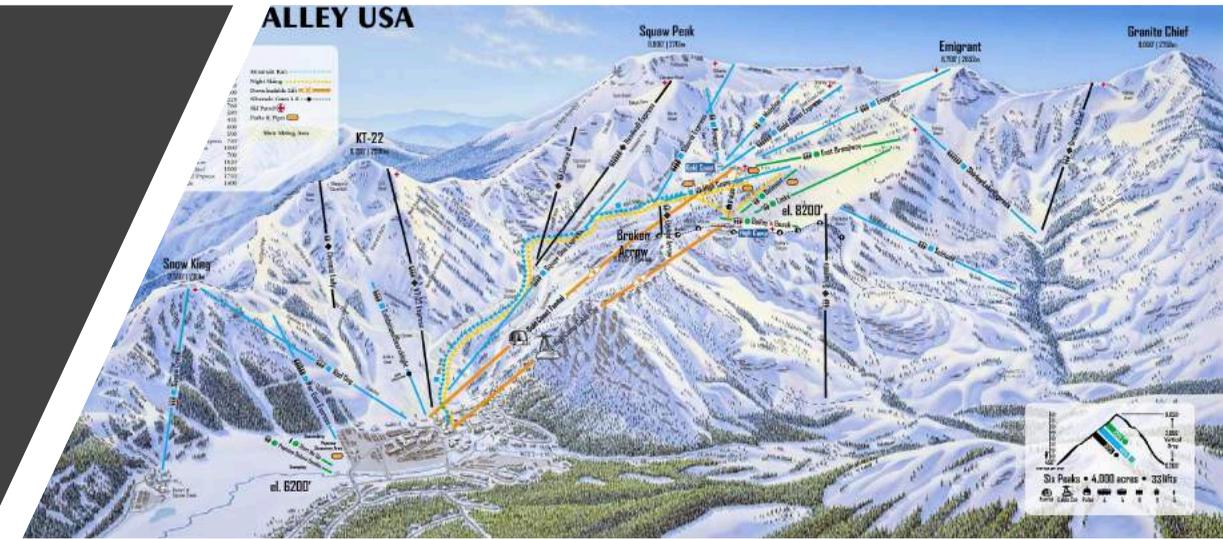
# Squaw Valley Alpine Meadows

**Location:** Olympic Valley, California

**Distance from Tahoe City:** 8.3 miles

**Amenities:**

- 6,000+ acres
- Two properties on one lift ticket: Alpine Meadows and Squaw Valley
- 42 lifts
- 16 bowls
- 270 trails
- Lodging available at The Village at Squaw Valley which includes 190 rooms, world-class amenities, condominiums ranging from 523 to 1,786 square feet, hot tubs, fitness facilities, spas, shops, conference facilities and more.
- Resort at Squaw Creek: 24,000 SF of function space
- The Village of Squaw Valley: 11,000 SF of function space



# Northstar California Resort

**Location:** Truckee, California

**Distance from Tahoe City:** 24.4 miles

**Amenities:**

- 3,170 skiable acres
- 20 lifts
- 100 trails
- Ice rink
- Tubes, skis, snowmobiles, snowboards
- Summer activities include golf, hiking, and mountain biking
- Kids adventure zones: Skicology and Wagon Wheel
- Lodging available at Northstar Village which ranges from rooms at the Ritz Carlton to private houses and includes shops, dining, fitness facilities, yoga and more
- Ritz Carlton: 11,000 SF of function space



# Lodging Supply

In addition to an abundance of vacation rental homes, there are approximately 2,700 hotel/resort rooms in North Lake Tahoe. North Tahoe's lodging supply consists of a few full-service upscale luxury hotels and resorts and a collection of smaller independent properties of lower quality. Currently, the market lacks branded select-service and limited service properties.

North Lake Tahoe Lodging Supply				
Property	Distance	Rooms	Chain Scale	Opened
Americas Best Value Inn Lake Tahoe/Tahoe City	0.2	46	Economy	Jun-60
Pepper Tree Inn	0.5	51	Indep	Dec-70
Tahoe City Inn	0.6	32	Indep	Jun-81
Basecamp Tahoe City	0.6	24	Indep	Jun-60
Granlibakken Resort	0.9	50	Indep	Jun-75
Tamarack Lodge Motel	1.7	21	Indep	Jun-30
The Cottage Inn	1.9	22	Indep	Jun-38
Sunnyside Resort	2	23	Indep	Jun-07
River Ranch Lodge	3	19	Indep	Jun-60
Destination Hotels Resort @ Squaw Creek	4.4	345	Luxury	Dec-90
Village @ Squaw Valley	5.1	178	Indep	Jun-02
Plump Jack Squaw Valley Inn	5.3	61	Indep	Jun-60
Squaw Valley Lodge	5.3	135	Indep	Jun-84
Camelian Woods Lodge	5.4	32	Indep	Jun-72
Tahoe Vistana Inn	6.9	28	Indep	Jun-62
Tahoma Meadows Bed & Breakfast Cottages	6.9	16	Indep	Jan-00
Cedar Glen Lodge	6.9	31	Indep	Jun-60
Ritz-Carlton Lake Tahoe	7	180	Luxury	Dec-09
Mourelatos Lake Resort	7.1	32	Indep	Jun-42
Franciscan Lakeside Lodge	7.2	40	Indep	Jun-80
Fire Lite Lodge	7.2	27	Indep	Jun-50
Rustic Cottage Resort	7.4	20	Indep	Jun-25
Welk Resorts Northstar	7.6	56	Indep	May-06
Ferrari's Crown Resort	7.9	71	Indep	Jun-56
Big 7 Motel	7.9	22	Indep	Jun-76
Sun N Sand Lodge	8	26	Indep	Jun-97
Stevenson's Holliday Inn	8.2	22	Indep	Jun-78
Tahoe Biltmore Lodge	8.6	92	Indep	Jun-46
Meeks Bay Resort & Marina	9	21	Indep	Feb-32
Hampton Inn Tahoe Truckee	10.4	109	Upper Mid	Jun-05
Best Western Plus Truckee Tahoe Hotel	10.7	99	Upper Mid	Jun-84
The Cedar House Sport Hotel	10.9	42	Indep	May-06
The Inn At Truckee	11.2	42	Indep	Mar-84
Truckee Hotel	11.3	37	Indep	Jun 1873
Sunset Inn	11.6	20	Indep	Jun-63
Truckee Donner Lodge	11.6	64	Indep	May-99
Hyatt Regency Lake Tahoe Resort	12	422	Upper Upsc	Jul-75
Parkside Inn @ Incline	12.4	38	Indep	Jun-68
Donner Lake Village	13.2	64	Indep	Jun-78
Sugar Bowl Resort	13.6	27	Indep	Jun-39
<b>Total/Average</b>	<b>6.99</b>	<b>2,687</b>	<b>-</b>	<b>Apr-67</b>

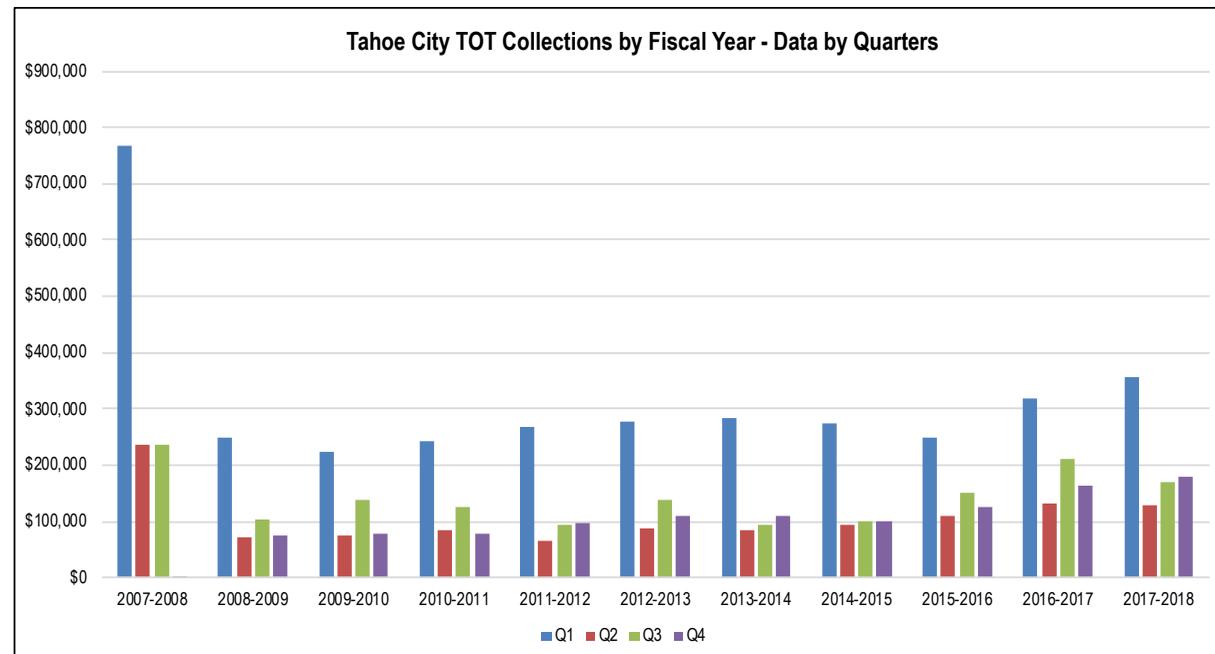
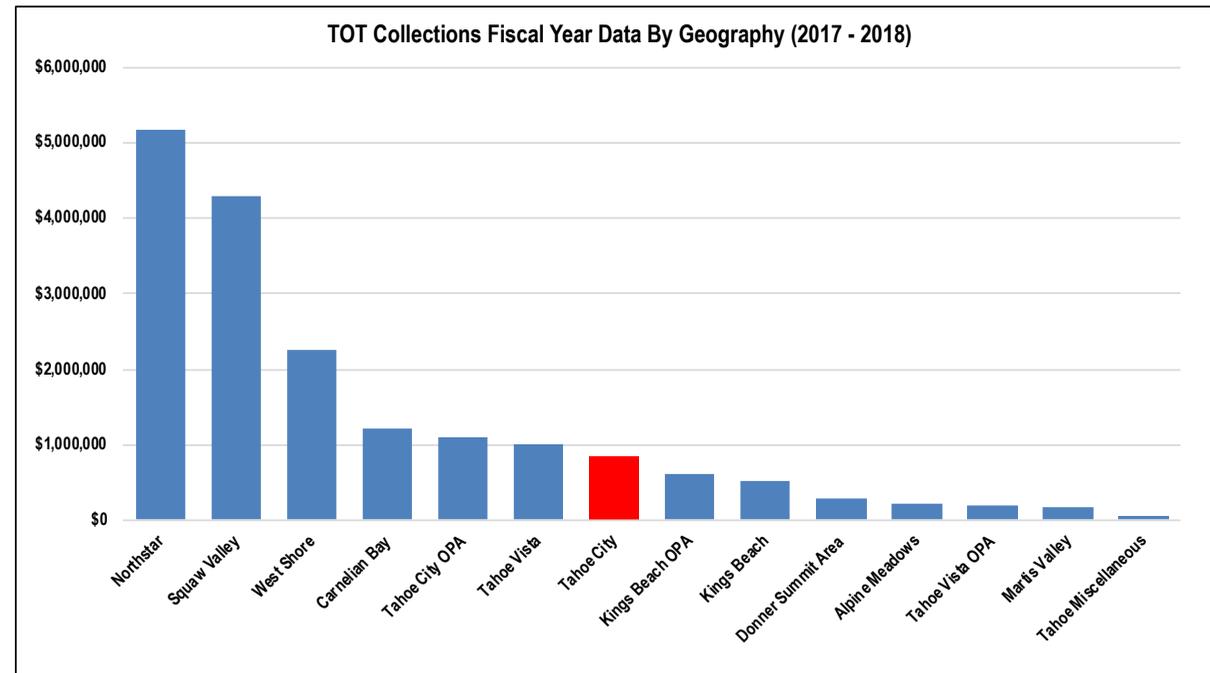
# Lodging Supply



# Lodging Performance

Tahoe City generated just under \$1 million in TOT collection in 2017-2018. This is consistent with Tahoe Vista and Kings Beach, but well below that of the surrounding resort communities. Approximately 70 percent of this TOT is generated by vacation rentals, according NLTRA. The majority of this TOT is generated in Q1, followed by Q4 and Q3.

Winter is by far the most popular time for overnight stays. However, most of the business is staying at ski resorts. The data backs up suggestions by locals that downtown Tahoe City can struggle for business, even during high season.



## North Lake Tahoe: Current YTD vs. Previous YTD\* - 1/31/2019

	2017-18	2018-19	Variance
Occupancy - past six months	44.4%	49.8%	12.2%
ADR - past six months	\$295	\$296	0.1%
RevPAR - past six months	\$131	\$147	12.4%

\*Represents 40 percent of total lodging units in North Lake Tahoe

Source: DestiMetrics

## 6-Month Lodging Performance

# Stakeholder Feedback



## NLTRA Feedback

- The biggest challenge, other than financing, with the project will likely be parking. The physical constraints of the land limit opportunity.
- It is difficult for Tahoe City to compete with the resort towns in the winter. Any development should be an activity-based complex that provides something for residents and visitors to do in the cold weather months. This could include climbing walls, artist spaces, theaters, arcades, indoor sports or performance centers, but not residential development.
- Most of the events in the community must occur in the summer months due to lack of indoor spaces in Tahoe City. A new meeting and event facility would allow the cultural season to expand. Currently, events are being sent to resort communities or the North Tahoe Event Center.
- Approximately 70 percent of all TOT collected by the Resort Association is generated from vacation rentals.
- There is certainly space for another theater in the market. There are various local organizations looking for indoor theater space.
- The space at the North Tahoe Event Center is not conducive to hosting quality events. The layout of the complex is disjointed, and the renovated bowling alley needs a complete interior overhaul. The facility also struggles with cell service and AV. Trainings or other events that can not utilize NTEC would come to Tahoe City and be extremely beneficial to the entire region.
- There is a need for event space capable of accommodating anywhere from 200 to 1,000 attendees, but Tahoe City faces challenges with quality hotel options. The 118-room Tahoe City Lodge will certainly help, but 200 rooms re: likely required to host major high-impact events.
- Lakefront weddings present significant opportunity. People are paying a lot to rent tents, and most are utilizing estates surrounding the lake. Any new development wouldn't even need to be marketed due to the level of demand.
- The inclusion of a visitor center in any new development would be recommended. Currently, visitors arrive in the community and have nowhere to go to learn about the lake or what there is to do the area. It can be a concierge for the entire region. Other possibilities include a science center and exploratory showroom for children's educations. There is a need for indoor activities for kids throughout the year.



# Go Tahoe North Feedback

- Overall, the market is in need of unique off-site reception and dining spaces for groups between 150 and 500 people. The only non-hotel events spaces for groups of more than 100 people are Gar Woods Grill and Pier, Squaw's High Camp in Olympic Valley, and the Tahoe Gal (a paddle boat out of Tahoe City).
- The North Tahoe Event Center is capable of hosting larger events, but the complex is generally not nice enough for many upscale events. The facility is typically hosting local community events, agency organizations, and social events. The layout and condition of the space prevent corporate events from occurring at the venue.
- An upscale venue with unique attributes and amenities capable of accommodating 300-person groups would be the ideal development in Tahoe City. This type of space would be able to host offsite events for conference and convention occurring at resorts and hotels in surrounding communities.
- Any development would need to be interesting in some way to attract upscale offsites from area resort. Whether unique lake views or an attached museum or interactive experience, convention and conference groups need a reason to leave the base hotel. A traditional multipurpose conference room would not be as beneficial or attractive.
- When the Tahoe City Lodge gets built, there will certainly be opportunity for new event space to host conferences, but the walkable lodging supply presents challenges for any new development at that site.
- Any new development in Tahoe City will be a premier wedding destination. The market lacks quality indoor weddings venues.

# Chapter 4: Residential Market Analysis

---

# Competitive Situation/Market Data

## Market Trends

The adjacent table details the existing Tahoe City condominiums for sale. Prices range from \$265,000 to \$2.1 million, with four properties listed at more than \$1 million.

Tahoe City Residential Properties For Sale - Condominiums

Property / Address	Unit	Type	Price	Beds	Baths	SF	Year Built	Acreage
300 West Lake Boulevard	6	Condo	\$2,100,000	3	2	1,645	1966	0.22
3600 North Lake Boulevard	33	Condo	\$1,895,000	4	3	2,400	1971	--
100 Lassen Drive	62	Condo	\$1,850,000	4	3	1,947	1977	--
1200 West Lake Boulevard	--	Condo	\$1,495,000	4	3	2,194	1981	0.26
300 West Lake Boulevard	145	Condo	\$939,000	4	2.5	1,792	1971	--
1877 North Lake Boulevard	79	Condo	\$875,000	3	2.5	2,028	1982	0.03
201 Squaw Peak Road	709	Condo	\$709,000	2	2	1,117	2001	--
300 West Lake Boulevard	20	Condo	\$550,000	3	2.5	1,268	1966	--
3101 Lake Forest Road	55	Condo	\$465,000	3	2	1,408	1972	--
3200 North Lake Boulevard	10	Condo	\$445,000	3	2	1,320	1971	--
3200 North Lake Boulevard	1	Condo	\$425,000	4	2	1,362	1971	--
3115 North Lake Boulevard	30	Condo	\$420,000	3	2.5	1,228	1973	--
3101 Lake Forest Road	97	Condo	\$387,000	4	2	1,408	1972	0.02
270 North Lake Boulevard	18	Condo	\$375,000	1	1	--	1973	--
3115 North Lake Boulevard	67	Condo	\$349,900	2	2	751	1974	--
300 West Lake Boulevard	125	Condo	\$275,000	3	2	1,540	1971	--
725 Granlibakken Road	51	Condo	\$275,000	1	2	792	1974	--
725 Granlibakken Road	39	Condo	\$265,000	1	2	792	1974	--
<b>Condo Average</b>	<b>18</b>	<b>properties</b>	<b>\$783,050</b>	<b>2.9</b>	<b>2.2</b>	<b>1,470</b>	<b>1974</b>	<b>0.13</b>

Source: Resort Properties at Northstar, Zillow, Realtor.com

## Market Trends

The number Tahoe City single family and condominium sales decreased in 2018 compared to 2017, while the median and average prices of the sold properties increased year over year.

### Tahoe City Residential Sales Trends 2017 / 2018 - Single Family

Metric	2018	2017	% Change
Volume	\$473,374,297	\$350,295,761	35%
Units	333	346	-4%
Median Price	\$685,000	\$650,000	5%
Average Price	\$1,421,544	\$1,012,415	40%
Units Under \$1 Million	244	273	-11%
Units Over \$1 Million	89	73	22%

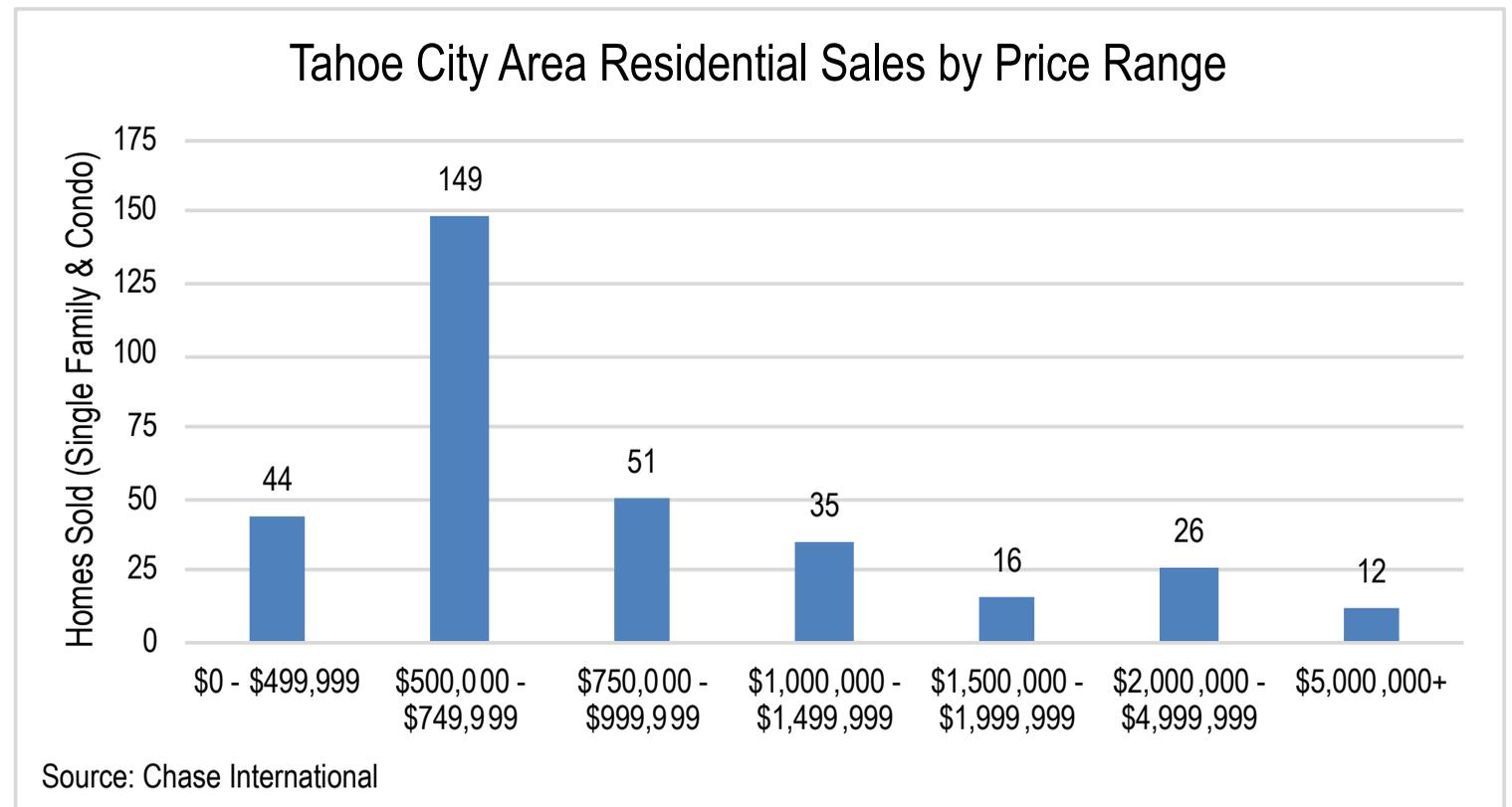
Source: Chase International

### Tahoe City Residential Sales Trends 2017 / 2018 - Condominiums

Metric	2018	2017	% Change
Volume	\$64,628,110	\$81,090,375	-20%
Units	102	130	-22%
Median Price	\$409,500	\$399,500	3%
Average Price	\$633,608	\$623,772	2%
Units Under \$1 Million	67	50	34%
Units Over \$1 Million	35	80	-56%

Source: Chase International

# Residential Sales



# Chapter 5: Recreation/Environmental Overview

---



# Master Plan

Placer County is currently in the process of completing its first comprehensive Parks and Trails Master Plan. The Plan aims to shape the future of recreation in Placer County, directing strategies and investments over the next ten year period. The analysis determined the following about the strengths and weaknesses of the market:

## STRENGTHS:

- Existing parks are well distributed throughout the County and provide residents and visitors the opportunity to connect with the outdoors
- Major recreation assets such as Hidden Falls Regional Park, trails, and beaches are differentiators for the County's parks and trails system

## CHALLENGES

- Lack of wayfinding and user recognition of Placer County's parks and trails; no central location for trail mapping
- Parking and access to Lake Tahoe beaches, trails, and winter play areas in eastern Placer County

## NEEDS

- Connected and convenient paved and unpaved trail systems; branding, wayfinding, and mapping
- Accessible play facilities
- Indoor recreation facility in Lake Tahoe region – currently lacking

Throughout HSP's analysis and in prior community engagement sessions, the concept of a Tahoe Community Aquatic and Recreation Center has been brought to the table by local stakeholders and residents. Currently, Placer County staff recommend that this project be considered as aspirational. HSP's analysis suggests that this type of facility is lacking the market and would benefit the Tahoe City community in a variety of ways. However, due to the size and location of the site, as well as the transformational development opportunity, HSP would recommend that the concept be considered for a different location in the market that would be more conducive to accommodating local residents.



## TCPUD Feedback

- TCPUD (Tahoe City Public Utility District) is interested in a project that can offer citizens an improved quality of life and complement Commons Beach, which is extremely busy throughout the summer months.
- A major concern for any new project is parking. There is already a major need for additional parking when the beach is crowded in peak season.
- Very interested in the proposed pool component of the Commonwell, however, due to its design, it would not satisfy the recreational needs of the community.
- There is a significant need for a recreation center with an aquatics component, but this may not be the appropriate location for such a development. However, there is consensus in the community that a pool is needed.
- There is concern about the proposed footprint of the Commonwell development and its impact on the operations of the beach. It is important that the development does not limit available parking.
- It is important to determine which project is in the best interest of the community. If any project requires an ongoing subsidy, it should weigh more towards benefitting the public versus a private business.
- There is an abundance of outdoor activity options in the market. This site should feature indoor space.

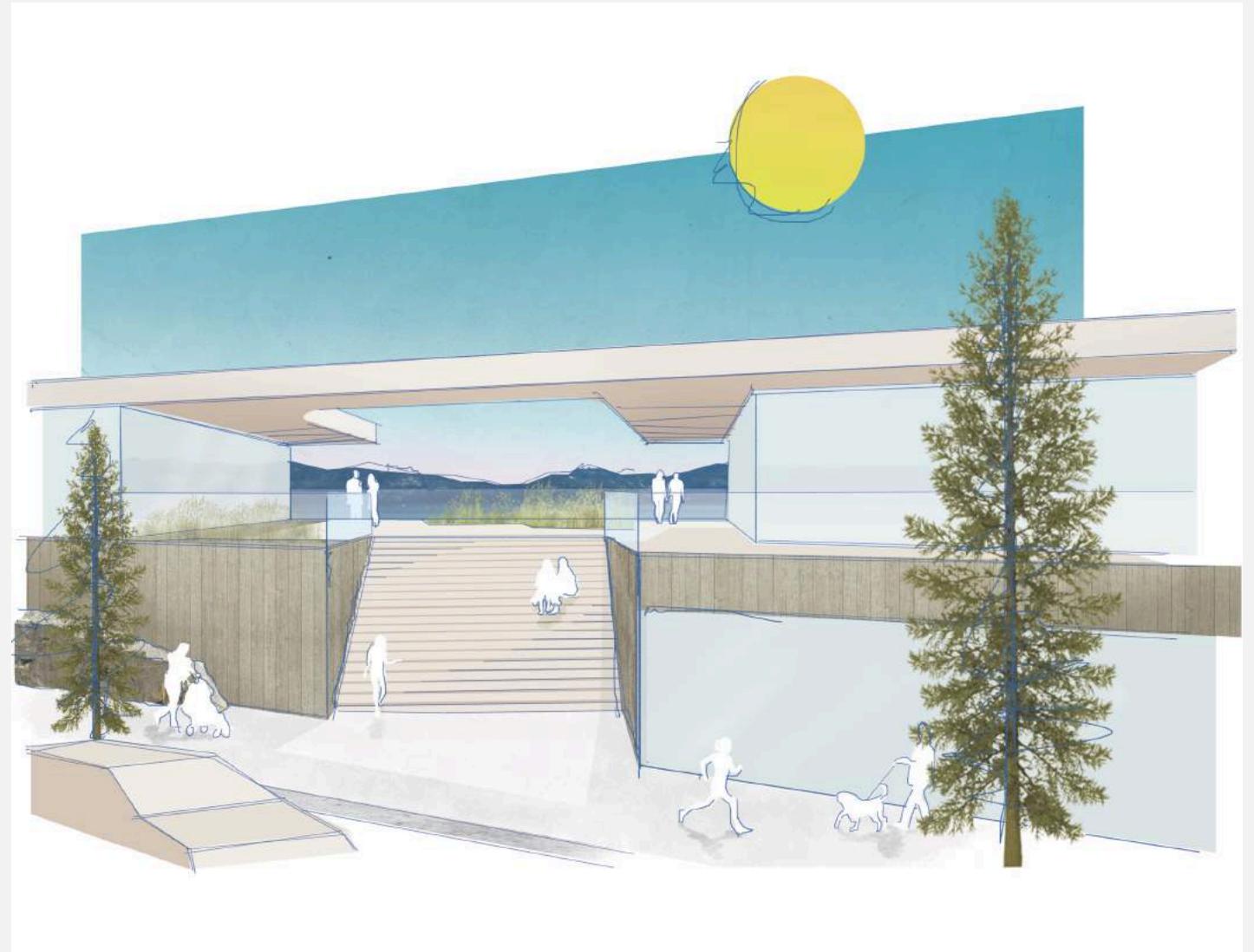
# Chapter 6: Assessment of Commonwell Proposal

---

# Proposal Overview

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.

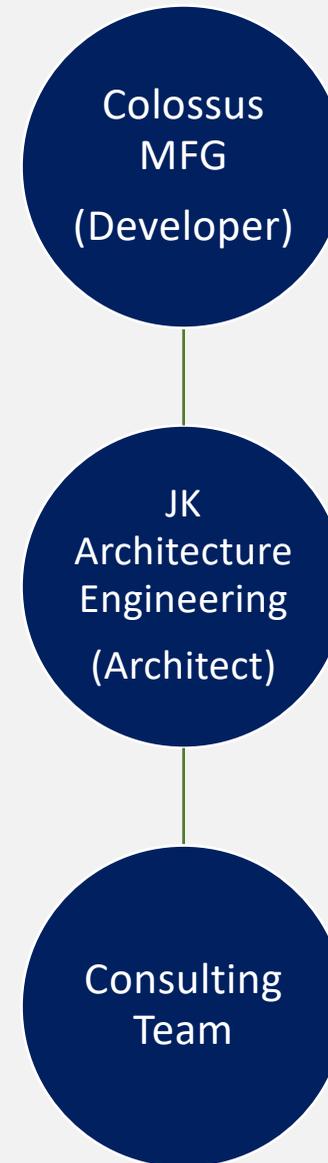


# Project Team

Colossus MFG. is the developer and project lead for the Commonwell Project. Colossus members include Justin Dobrinski, Kele Dobrinski and Christina Valencia.

The team also includes lead architect, Jordan Knighton, of JK Architecture Engineering. JK Architecture will provide additional staff and partner with Studio Padron for architectural and engineering issues.

The Project also has input from a consulting team comprised of professionals from Holdridge & Kull (Geotechnical), Andregg Geomatics (Survey), Sugar Pine Engineering (Mechanical/Plumbing), Terracon (Aquatic Design), and Ogilvy Consulting (Land Use Entitlements). JK Architecture will also provide Civil Engineering and TRPA Entitlements consulting services to the consulting team.



# Project Team Experience

Colossus MFG. is the developer and project lead for the Commonwell Project. The Commonwell would be the first project of this type for their team.

The team also includes lead architect, Jordan Knighton, of JK Architecture Engineering. JK has worked on a number of projects including the Tahoe City Marina Expansion, Truckee Community Recreation Center, Moana Aquatic Center, Tahoe Maritime Museum, and Cal Neva Renovation Projects.

Brandon Padron of Studio Padron has provided architect and design services for Apple Park and the Smithsonian National Museum of African American History and Culture.

# Project Details (original)

## **COMPLIMENT OUTDOOR RECREATION**

- All-season heated community pool (removed during process)
- Japanese-style bath house
- Apres Bar
- Lakeside rental services

## **PHYSICAL DETAILS**

- **Ground Floor Commonwell Retail Hall Size:**
  - 20,000 SF (15,100 SF usable square footage, 4,900 SF common walkways and restrooms)
- **Second Floor Restaurant / Flexible Community Space:**
  - 20,000 SF (12,000 SF usable square footage, 8,000 SF common area / restrooms / outdoor seating)
- Tenant Retail Spaces: 16 in 27,000 SF of leasable space
- Underground Parking Spaces: 80 – total parking = 107 (one space per 252 SF of leasable space)
- Levels: 2 above grade, 1 below

## **CELEBRATE THE ENVIRONMENT**

- Site design emphasizing views & vistas
- Abundant added outdoor seating
- Lakefront amphitheater
- Environmental education for kids
- Sustainable building practices

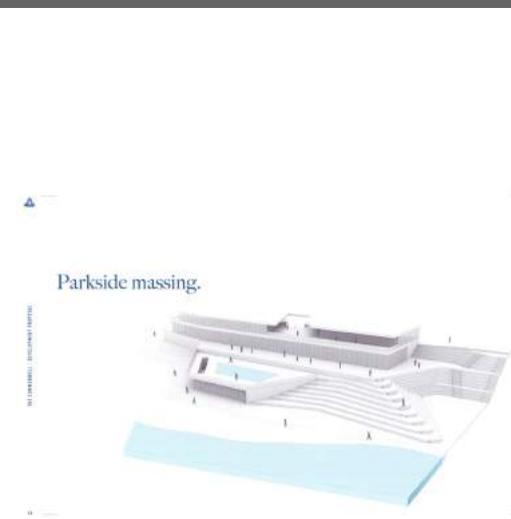
## **COMMUNITY CENTER FOR THE MIND AND BODY**

- Healthy, simple food options
- Juice bar/coffee shop
- Yoga/meditation spaces
- Plaza for farmers market
- Integrate Art w/ Nature

# Project Design

The Commonwell Project Design is inspired by projects including the Ferry Building, Santa Barbara Public Market, Eataly, Oxbow Public Market and the Highline among others.

The Project will house a mix of local retailers, food purveyors and wellness concepts such as a Japanese-style bath house. A heated pool will give the community access to a feature normally locked away in expensive resorts. The exterior grounds will include a waterfront amphitheater, a waterfront bike path, a grand staircase, seasonal lakeside retail and a large plaza deck.



# Project Timeline

The Commonwell Project Team estimated that entitlements received for the development will take place on July 31, 2019 with the opening date of the Commonwell slated for August 1, 2021.

Given the current reality, this timeline would be delayed by approximately 15 months, for an opening in 2023.

FEB 28, 2018 Proposal Submission

## 2 MO. NARROWING THE LIST OF CANDIDATES BY PLACER COUNTY

APRIL 30, 2018 Development Team Selected  
MAY 1, 2018 Lease Agreement Drafted

## 45 DAY LEASE NEGOTIATION

JUNE 15, 2018 Lease Agreement Signed

## 400 DAY ENTITLEMENT PROCESS WITH TRPA, PLACER CO. AND OTHER ENVIRONMENTAL AGENCIES

JULY 31, 2019 Entitlements Received For Development

## 8 MONTH DESIGN AND CONSTRUCTION DOCUMENT PREPARATION

MARCH 31, 2020 Submit plans to Placer County / TRPA for Approval and Building Permits

MARCH 31, 2020 Submit Plans to Builders for Bidding Process

## 60 DAY PERMIT ISSUING PROCESS / CONTRACTOR BID PREPARATION

MAY 30, 2020 Receive Building Permits  
JUNE 1, 2020 Begin Site / Grading Work

## 90 DAYS SITE WORK

AUGUST 30, 2020 Site Work Completed  
SEPT. 1, 2020 Begin Vertical Construction

## 7 MONTH SHELL CONSTRUCTION

MARCH 31, 2021 Shell Construction Completed  
APRIL 1, 2021 Start of Tenant Improvements

## 75 DAY TENANT IMPROVEMENT CONSTRUCTION

AUGUST 1, 2021 Opening Date of the Commonwell



# Commonwell Feedback

- The goal of the project is to create a compelling waterfront space for Tahoe City with unique retail, recreation, food, and event components. This unique location at the entrance to the commercial corridor presents tremendous opportunity.
- There are various examples of similar destination retail tourism projects working throughout the region. Concepts include restaurants, small cafes, retail shops, and a plaza area for community events.
- The group has been working with the City of Sacramento on a conceptual re-invention of the pool. However, the inclusion of a pool is not a deal-breaker for the project.
- This project will likely require some sort of upfront public assistance to fund development. Ideally, that comes in the form of some sort of strategic partnership between the development group and the county.
- The most comparable project to what is being proposed in Tahoe City is the Oxbow Public Market in Napa. The markets, driven by tourism and visitation, are very comparable. Napa is a larger geographic area, but Tahoe offers more demand generators. That project has been an overwhelming success.
- While the the quality and tenants of the project aim to attract Lake Tahoe visitors, the groups also want to host locals nights and other local events for Tahoe City residents.
- As Truckee and surrounding resort towns continue to expand their offerings, Tahoe City must keep pace with with the competition. With the development of the Tahoe City Lodge, this project can spark growth and activity in the commercial corridor.
- Currently, the market is not attracting the types of rents that would support this type of development. However, there are projects in South Lake Tahoe, as well as comparable regional developments, that are driving much higher rents. There are extremely high-end communities within driving distance that have tremendous spending power. With a high quality development, these rents can be achieved.



# Commonwell Feedback

- The groups aims to create a regional draw by attracting unique, quality tenants that have upscale appeal and are looking to expand in a smaller space than a traditional shop or restaurant. A single retail shop for each business may not be feasible, but the synergy created by the collection of businesses in the development presents opportunity.
- While the project would benefit the local community, the primary clientele will likely not be residents. The target market will be visitors from Silicon Valley or the Bay area that are vacationing in North Lake Tahoe.
- The public plaza is key to the community engagement of the project. The plaza can host artist walks, farmer's markets, or other outdoor gatherings and celebrations with a view of the lake. This allows guests to be a part of the Commonwell without purchasing anything.
- While the main floor is the market hall, the second level features two 8,000-square foot spaces designed to accommodate a restaurant as well as a flex space that could be designed as a gallery or a multipurpose event space.

# Tenant Feedback – Illanta Wines

- Illanta Wines is a Tahoe-based winery that focuses on making small batch, limited production wines with grapes sourced throughout wine country. The group is potentially interested in opening up a tasting room in the Commonwell.
- The opportunity reminded them of the Oxbow Market, a place where small businesses can show their products off and the community can come together.
- The central location of the site is very appealing.
- As a local, they recognize that Tahoe City has slowed down. The community needs something like this to draw visitors.
- They view Commonwell as an opportunity to showcase their product in a small, intimate space and build their brand. They currently work out of a small office space and host appointment tastings. This would be a step up.
- Discussions about rent have not gotten too detailed, but Illanta Wines does not need too large of a space. Preliminary discussions have been around \$2,000 per month for smaller space in the building. This assumes that they would be relocating in a couple years, as they likely need some additional time to grow.
- The primary attraction to this project is the synergistic opportunity with other businesses in the Commonwell. This can jumpstart the entire community.

# Tenant Feedback – Martin Mattox

- Martin Mattox is a home goods and clothing shop in Auburn. They also have a presence in San Francisco, and are looking to expand to another Northern California Location.
- Based on preliminary knowledge of the Commonwell, the group is very excited about the location and plan for the project.
- Their Auburn location attracts clients from Truckee, Tahoe, Reno, San Francisco, and Sacramento. A Tahoe City location would be the next step in their growth.
- While they had a 300-square foot space in San Francisco, they are now operating out of a 2,500-square foot space in Auburn. They are paying less than one dollar per square foot in rent (\$1,500 per month).
- While they are interested in the potential opportunity, they have not yet had detailed discussions about numbers and rates. However, with a 1,000-square foot space, they believe that \$48,000 per year in rent plus CAM is achievable.
- If this were a random retail space in Tahoe City, it is unlikely that they could succeed. Because of the vision of the overall project and the foot traffic that other businesses will generate, they are confident. This is about the idea.
- The business just opened last year. They estimate that they will generate gross revenue ranging from \$350,000 to \$400,000 in Auburn in year one. They are located in a slow area of a downtown market that is seasonal, though not as seasonal at Tahoe City.

# ✓ Tenant Feedback – Canon

- Canon is a fine dining restaurant in Sacramento. Canon is interested in the upstairs anchor space of the Commonwell.
- The concept of the restaurant is "fine-dining without linens." The goal is to offer an approachable dining destination that still executes a fine dining experience. The restaurant serves a variety of unique cocktails, and would feature a small entertainment component.
- The Executive Chef and co-owner, Brad Cecchi, recently left the Michelin-Star rated Westin in Cleveland to move to Sacramento. He has appeared on TBS reality TV shows and been featured in multiple magazines.
- Their Sacramento restaurant operates in a 5,000-square foot space. While they initially had considered a pop-up concept, they now want a larger space in Tahoe City (6,000 square feet) that can be a differentiator and in the epicenter of activity at Commonwell.
- They have had their eye on the Tahoe market for a while, and the Commonwell is a very attractive home. Outside of a couple breweries, they struggle to find quality places to eat and drink in the market when they vacation to North Lake Tahoe.
- Their Sacramento location currently generates approximately \$2.5 million per year in revenue. Canon projects anywhere from \$3.5 million to \$5 million at a new Tahoe City location. This includes up to \$1 million in revenue driven by private events, which play a major role in their business plan.
- While they have had preliminary conversations about lease rates, they have not dug into the details.

# Summary and Analysis of Projections/Business Plan

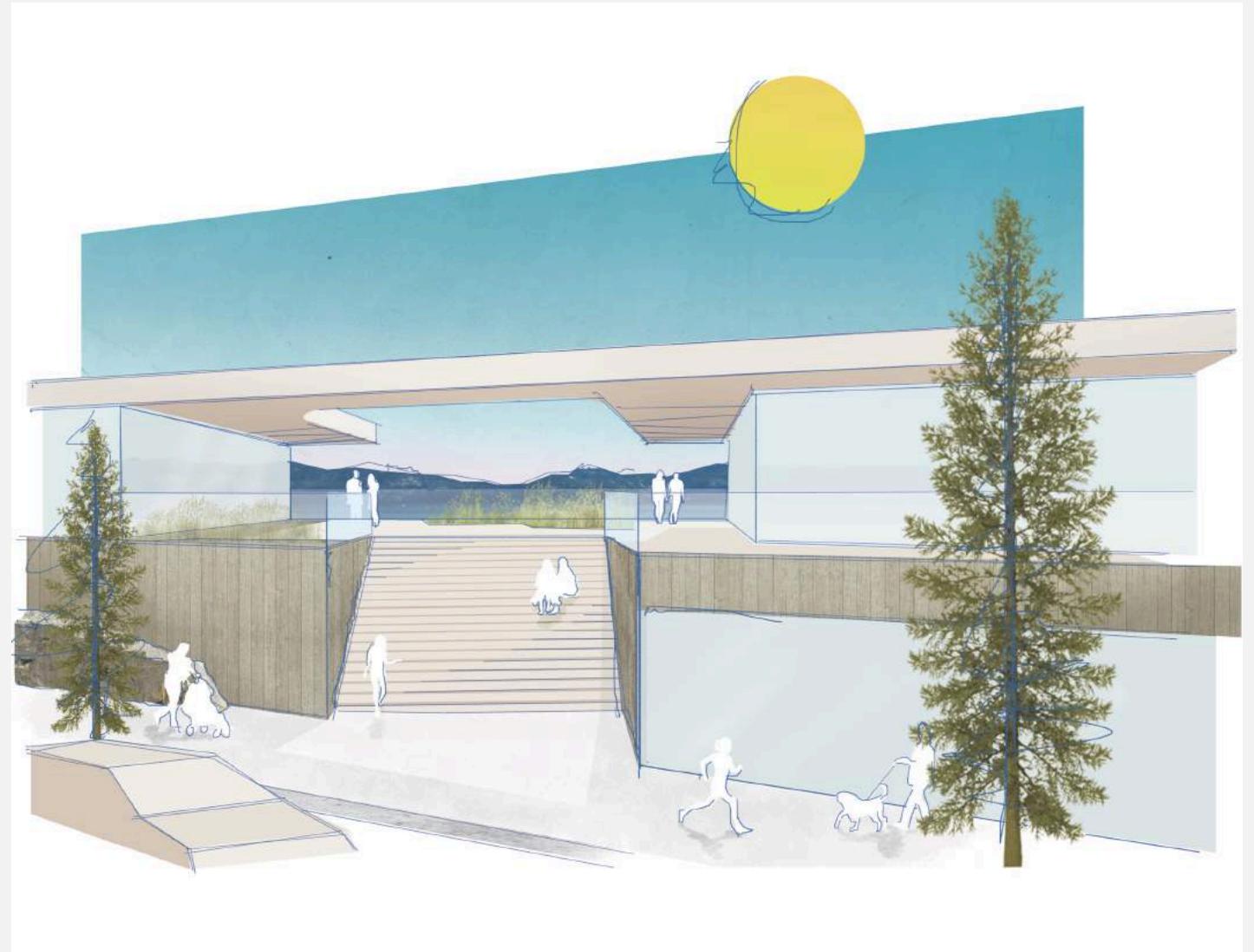
# Project Evolution: Commonwell

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).



# Original Project Cost

## Total Project Cost (including hard and soft construction costs):

- \$34,215,000± - of which
  - \$22.9M is attributed to the new retail building and public market,
  - \$2.06M is attributed to the pool and surrounding open plaza,
  - \$5.8M is attributed to the structure built over the existing surface parking lot that would include the amphitheater, and
  - \$4.25M (not shown) is attributed to initial carry cost on the financing, preferred capital payments to investors, unreimbursed CAM costs, financing fee, and development fee (all funded prior to the start of rental payments).

New Retail Building Cost		
<b>New Retail (33,600 SF)</b>		
Generic Retail:	24000 SF	
Restaurant Retail:	16000 SF	
Total Size (SF):	40000 SF	
Soft Costs (30% of Hard Costs):		\$5,022,000
Structural work to prepare new footings		\$300,000
Site wet/dry Utilities:		\$600,000
New Building Construction (\$240 PSF)		\$10,400,000
Generic Retail Tenant Improvements (\$85 PSF)		\$2,040,000
Restaurant Retail (\$150 PSF):		\$2,400,000
Pedestrian Roof Loads (\$25 PSF):		\$1,000,000
Contingency (5%):		\$1,088,100
<b>TOTAL NEW RETAIL COST:</b>		<b>\$22,850,100</b>
		<b>74.45%</b>
		<b>\$571.25</b> PSF
<b>Pool / Events Pavilion (Developed by Proposed Operator)</b>		
Soft Costs (30% of Hard Costs):		\$345,000
Grading / Structural:		\$250,000
Pool Decking (6,000 SF @ \$50 PSF):		\$300,000
Pool Construction (2,000 SF @ \$200 PSF):		\$600,000
Demo or Relo of Existing Green Building		\$180,000
Demo of Firehouse Building		\$100,000
Bike Path Extension Around Pool		\$105,000
Heated Driveway to Parking Structure (4,000 SF @ \$20 PSF):		\$80,000
Contingency (5%):		\$98,000
<b>TOTAL POOL COST:</b>		<b>\$2,058,000</b>
		<b>6.71%</b>
<b>Park Extension Over Parking:</b>		
Covered Parking Stalls Beneath Pool:	80	
Surface Parking Stalls:	27	
Soft Costs (30% of Hard Costs):		\$1,202,040
Improvements to Surface Parking Lot:		\$300,000
Structure Over Parking (\$30K per car)		\$2,400,000
Structural / Grading / Retaining Walls		\$300,000
Landscaping (1.5 AC @ \$20 PSF):		\$1,306,800
Contingency (5%):		\$275,442
<b>PARK EXTENSION TOTAL COST:</b>		<b>\$5,784,282</b>
		<b>18.85%</b>
<b>TOTAL POOL / EVENTS PAVILION / PARK EXTENSION COST:</b>		<b>\$7,842,282</b>
		<b>25.55%</b>
<b>TOTAL PROJECT CONSTRUCTION COST:</b>		<b>\$30,692,382</b>
		<b>100.00%</b>
Source: Colossus Mfg		

# Revised Project Cost

- Reduced space by 50%
- Eliminated Pool
- Reduced parking by 2/3
- Overall cost now estimated at \$14.5 million, or \$725/SF. Includes additional finance and other costs.
- Implied net rent needed to support at 10% of occupancy cost is \$72.50/SF/Year, or \$6/SF/Month.

Confidential Final Draft 7-1-19

## New Retail Building Cost

New Retail		
Ground Floor Retail:	7,292 SF	
Second Floor Retail:	5,104 SF	
Third Floor Restaurant Retail:	7,292 SF	
Total Size (SF):	19,688 SF	
Soft Costs (30% of Hard Costs):		\$2,597,562
Structural work to prepare new footings:		\$300,000
Site wet/dry Utilities		\$600,000
New Building Construction (\$260 PSF):		\$5,118,880
Generic Retail Tenant Improvements Floors 1 & 2 (\$85 PSF):		\$1,053,660
Restaurant Retail Third Floor (\$150 PSF):		\$1,093,800
Pedestrian Roof Loads (\$25 PSF):		\$492,200
Contingency (5%):		\$562,805
<b>TOTAL NEW RETAIL COST</b>		<b>11,818,907</b>
		<b>90.29%</b>
		<b>\$600 PSF</b>

## Park Extension / Pool Development Cost

Plaza/Lake Level Surface Parking		
Soft Costs (30% of Hard Costs):		\$75,000
Grading/Structural		\$250,000
Pool Decking (6,000 SF @ \$500 PSF): DELETED		--
Pool Construction (2,000 SF @ \$200 PSF): DELETED		--
Demo or Relo of Existing Green Building:		\$180,000
Demo of Firehouse Building:		\$100,000
Bike Path Extension Around Pool:		\$105,000
Heated Driveway to Parking Structure (10,000 SF @ \$20 PSF):		\$200,000
Contingency (5%):		\$45,500
<b>TOTAL PLAZA COST</b>		<b>955,500</b>
		<b>7.30%</b>
Street Level Surface Parking		
Lake Level Parking Stalls:	80	
Street Level Parking Stalls:	27	
Soft Costs (30% of Hard Costs): DELETED		--
Improvements to Street Level Surface Parking Lot:		\$300,000
Structure Over Parking (\$30K per car): DELETED		--
Structural/Grading/Retaining Walls: DELETED		--
Landscaping (1.5 AC @ \$20PSF): DELETED		--
Contingency (5%):		\$15,000
<b>PARK EXTENSION TOTAL COST</b>		<b>315,000</b>
		<b>2.41%</b>
<b>TOTAL PLAZA / EVENTS PAVILLION / PARK EXTENSION COST</b>		<b>1,270,500</b>
		<b>9.71%</b>
<b>TOTAL PROJECT CONSTRUCTION COST</b>		<b>13,089,407</b>
		<b>100.00%</b>

Source: Colossus Mfg

# Original Financing

## Loan Amount:

\$20,556,000±, 5% interest, 25 year amortization (sourced through Preferred Capital in Sacramento)

## Public/Private Investment:

\$13,704,000 (a combination of investment capital raised by developer, and capital contributed by Placer County and other strategic partners)

The adjacent financial model assumes \$7 million in capital contributions from Placer County, TOT, donor contributions, and naming rights, or 51% of total equity.

Commonwell Development Financial Model				
<b>COSTS</b>				
New Retail Development Cost:	\$22,850,100			
Pool Development Cost:	\$2,058,000			
Park Extension Cost:	\$5,784,282			
<b>TOTAL NEW RETAIL / PARK COST:</b>	<b>\$30,692,382</b>			
<b>*Anticipated Total Cost To Develop</b>	<b>\$34,260,000</b>			
*Including Finance fee, development fee, and 4 yrs preferred return payout				
<b>Debt / Equity</b>				
Debt (60% of cost):	\$20,556,000			
Equity (40% of cost):			\$13,704,000	
<b>Equity Structure</b>				
Placer County / TOT / Donor Contributions / Plaza Naming Rights:	\$7,058,000			
Private Capital Investment Requirement:			\$6,646,000	
Investors	\$4,846,000		72.92%	
Capital Partner	\$1,500,000		22.57%	
Developer	\$300,000		4.51%	
				\$13,704,000
<b>Total Development Cost:</b>				
Total New Retail / Park Construction Cost:	\$30,692,382		89.60%	
Preferred Return on Capital (10%, 4 yrs):	\$2,658,400		7.76%	
Development Fee:	\$700,000		2.04%	
Preferred Capital Financing Fee:	\$205,560		0.60%	
<b>Total Anticipated Development Cost:</b>	<b>\$34,256,342</b>			
<b>FINANCING AND CASH FLOW:</b>				
Interest Rate:	5.25%			
Amortization	25			
Loan Amount	\$20,556,000			
Projected Rental / Parking Net Income:	\$2,143,165			
Annual Debt Service	(\$1,495,256)			
<b>Projected Annual Cash Flow:</b>	<b>\$647,908</b>			
Total Cash on Cash Return:	9.75%			
<b>DISPOSITION:</b>				
Cap Rate (on sale of the leasehold interest):	7.25%	7.50%	7.75%	8.00%
Net Income After 4 Years:	\$2,412,152	\$2,412,152	\$2,412,152	\$2,412,152
Sales Price:	\$33,271,060	\$32,162,024	\$31,124,540	\$30,151,898
Source: Colossus Mfg				

# Revised Financing

## Loan Amount:

\$8,700,000±, 5% interest, 25 year amortization (sourced through Preferred Capital in Sacramento)

## Public/Private Investment:

\$5,800,000 (a combination of investment capital raised by developer, and capital contributed by Placer County and other strategic partners)

The adjacent financial model assumes \$4.25 million in capital contributions from Placer County, TOT, donor contributions, and naming rights, or 73% of total equity investment.

Investor, capital partner and developer contribution decreased from \$6.65 million to \$1.55 million.

## REVISED COMMONWELL DEVELOPMENT FINANCIAL MODEL

### COSTS

New Retail Development Cost:	\$	11,818,907	
Plaza / Lake Level Parking Development Cost:	\$	955,500	
Street Level Surface Parking Lot Cost:	\$	315,000	
TOTAL NEW RETAIL / PARK COST:	\$	13,089,407	
<b>*Anticipated Total Cost To Develop</b>	<b>\$</b>	<b>14,500,000</b>	

\*Including Finance fee, development fee, and 4 yrs preferred return payout

### Debt / Equity

Debt (60% of cost):	\$	8,700,000	
Equity (40% of cost):			\$ 5,800,000

### Equity Structure

Placer County / TOT / Donor Contributions / Plaza Naming Rights:	\$	4,250,000	
Private Capital Investment Requirement:			\$ 1,550,000
Investors	\$	900,000	58.06%
Capital Partner	\$	500,000	32.26%
Developer	\$	150,000	9.68%
			\$ -
			\$ 5,800,000

### Total Development Cost:

Total New Retail / Park Construction Cost:	\$	13,089,407	90.29%
Preferred Return on Capital (10%, 4 yrs):	\$	620,000	4.28%
Development Fee:	\$	700,000	4.83%
Preferred Capital Financing Fee:	\$	87,000	0.60%
Total Anticipated Development Cost:	\$	14,496,407	

### FINANCING AND CASH FLOW:

Interest Rate:		7.00%	
Amortization		25	
Loan Amount	\$	8,700,000	
Projected Rental / Parking Net Income:	\$	920,100	
Annual Debt Service	\$	(746,551)	
<b>Projected Annual Cash Flow:</b>	<b>\$</b>	<b>173,549</b>	
Total Cash on Cash Return:			11.20%

### DISPOSITION:

Cap Rate (on sale of the leasehold interest):		7.50%	7.75%	8.00%
Net Income Year 5:	\$	1,035,581	\$ 1,035,581	\$ 1,035,581
Sales Price:	\$	13,807,749	\$ 13,362,338	\$ 12,944,765

Confidential (Draft) 1-15

# Original Commonwell Projections

## Parking Income:

Commonwell projects \$538,000 in annual parking income generated based on a flat price per day of \$20 per stall per day and 85% occupancy in Spring, \$25 per stall per day and 75% occupancy in Summer, and \$15 per stall per day and 65% occupancy in Fall / Winter.

## Pool

Commonwell also projects another \$68,000 in annual revenue generated by the pool operator, although the pool was removed during the process.

Rental / Parking Income Projections					
	Size (SF)	Rent PSF	Monthly Rent	Annual Rent	
<b>Rental Income:</b>					
Basement Bath House	0	\$0.00	0	0	
New Retail Ground Floor	24,000	\$4.00	96,000	1,152,000	
New Retail Second Floor	16,000	\$4.00	64,000	768,000	
New Retail Third Floor	0	\$0.00	0	0	
<b>New Retail Total:</b>	<b>40,000</b>	<b>\$4.00</b>	<b>160,000</b>	<b>1,920,000</b>	
<b>Pool Operator Income:</b>					
Pool Operator Rent:	3,400		4,500	54,000	
Boat Rental Station by Lake	600	\$2.00	1,200	14,400	
<b>Total Rental Income:</b>	<b>40,600</b>	<b>\$4.08</b>	<b>165,700</b>	<b>1,988,400</b>	
<b>Parking Income (35 Stalls):</b>					
Parking		Price / Day	Occupancy	Monthly Revenue	Annual Revenue
Parking (April-May) Spring		\$20	85%	54,570	109,140
Parking (June-Sept) Summer		\$25	75%	60,188	240,750
Parking (Oct-March) Fall / Winter		\$15	65%	31,298	187,785
<b>Total / Avg Parking Revenue</b>		<b>\$19</b>	<b>71.64%</b>	<b>44,783</b>	<b>537,675</b>
<b>Gross Rental / Parking Revenue</b>			<b>210,483</b>	<b>2,526,075</b>	
Source: Colossus Mfg					

# Original Commonwell Projections

## Projected Rents:

Revenue projections are based on a projected \$48 PSF net rent. The \$48 PSF is made up partially of base rent (\$38.50 PSF), and partially of percentage rent (2.5% of gross sales, or \$9.50 PSF based on sales of \$375 PSF). Commonwell also assumed reimbursements on the CAM's, making the base rent plus percentage rent a true "net" income.

## Expenses:

Commonwell projects CAM's of \$7.20 PSF annually, and are also using a \$3.00 PSF annual capital expenditure allowance in calculating our net income (so total expenses of \$10.20± PSF annually).

## Revenue / ROI Projections:

Based on all of this data, Commonwell projects annual net income of approx. \$2.62M±.

	Rent by Fl.											
	Tot. Sq. Ft.	Pct. of tot. Sq Ft.	Tot. Floor Rent	Base Rent	Base Rent PSF	CAM Reimb	% Rent (2.5% of Gross Sales)	Total Rent/Mo	Rent % of Sales	Min. Gross Mo. Sales	Min. Gross Annual Sales	Sales PSF
<i>Ground Floor</i>												
Produce Market	3,280	13.64%	\$112,833	\$10,530	\$ 3.21	\$ 2,296.26	\$2,565	\$15,392	15.00%	\$102,612	\$1,231,345	\$375
Home Goods Retailer	1,469	6.11%	\$112,833	\$4,714	\$ 3.21	\$ 1,028.02	\$1,148	\$6,891	15.00%	\$45,939	\$551,265	\$375
Apothecary	537	2.23%	\$112,833	\$1,724	\$ 3.21	\$ 376.00	\$420	\$2,520	15.00%	\$16,802	\$201,624	\$375
Local Goods Retailer	537	2.23%	\$112,833	\$1,724	\$ 3.21	\$ 376.00	\$420	\$2,520	15.00%	\$16,802	\$201,624	\$375
Cake Shop	537	2.23%	\$112,833	\$1,724	\$ 3.21	\$ 376.00	\$420	\$2,520	15.00%	\$16,802	\$201,624	\$375
Wine Shop	1,899	7.90%	\$112,833	\$6,096	\$ 3.21	\$ 1,329.42	\$1,485	\$8,911	15.00%	\$59,407	\$712,884	\$375
Juice Bar	1,899	7.90%	\$112,833	\$6,096	\$ 3.21	\$ 1,329.42	\$1,485	\$8,911	15.00%	\$59,407	\$712,884	\$375
Ice Cream Concept	769	3.20%	\$112,833	\$2,470	\$ 3.21	\$ 538.63	\$602	\$3,610	15.00%	\$24,070	\$288,834	\$375
Coffee Shop	3,798	15.80%	\$112,833	\$12,193	\$ 3.21	\$ 2,658.83	\$2,970	\$17,822	15.00%	\$118,814	\$1,425,768	\$375
Brick Oven Pizza	2,590	10.77%	\$112,833	\$8,313	\$ 3.21	\$ 1,812.84	\$2,025	\$12,151	15.00%	\$81,010	\$972,115	\$375
Brewery	2,590	10.77%	\$112,833	\$8,313	\$ 3.21	\$ 1,812.84	\$2,025	\$12,151	15.00%	\$81,010	\$972,115	\$375
Ramen Concept Restaurant	2,590	10.77%	\$112,833	\$8,313	\$ 3.21	\$ 1,812.84	\$2,025	\$12,151	15.00%	\$81,010	\$972,115	\$375
Poke Bar	1,552	6.45%	\$112,833	\$4,981	\$ 3.21	\$ 1,086.21	\$1,213	\$7,281	15.00%	\$48,539	\$582,469	\$375
<b>Ground Floor Total</b>	<b>24,048</b>			<b>\$77,194</b>		<b>\$16,833</b>	<b>\$18,806</b>	<b>\$112,833</b>		<b>\$752,222</b>	<b>\$9,026,665</b>	<b>\$375</b>
<b>Ground Floor Total PSF/Mo</b>				<b>\$3.21</b>		<b>\$ 0.70</b>	<b>\$0.78</b>	<b>\$4.69</b>		<b>\$31.28</b>	<b>\$375.37</b>	
<i>Second Floor</i>												
Restaurant #1	8,080	50.00%	\$75,312	\$25,724	\$ 3.18	\$ 5,655.83	\$6,276	\$37,656	15.00%	\$251,039	\$3,012,466	\$373
Restaurant #2	8,080	50.00%	\$75,312	\$25,724	\$ 3.18	\$ 5,655.83	\$6,276	\$37,656	15.00%	\$251,039	\$3,012,466	\$373
<b>Second Floor Tot.</b>	<b>16,160</b>			<b>\$51,448</b>		<b>\$11,312</b>	<b>\$12,552</b>	<b>\$75,312</b>		<b>\$502,078</b>	<b>\$6,024,932</b>	<b>\$373</b>
<b>Combined Gross Total</b>	<b>40,207</b>			<b>\$128,643</b>		<b>\$28,145</b>	<b>\$31,357</b>	<b>\$188,145</b>		<b>\$1,254,300</b>	<b>\$15,051,597</b>	<b>\$374</b>
<b>Combined Gross Total PSF/Mo</b>				<b>\$ 3.20</b>		<b>\$ 0.70</b>	<b>\$0.78</b>	<b>\$4.68</b>		<b>\$31.20</b>	<b>\$374.35</b>	

Source: Colossus Mfg

Total Occ. Cost / Percentage of Sales			
Annual Base Rent:	1,920,000	1,920,000	1,920,000
CAM Reimbursement Expense (\$0.70):	334,670	334,670	334,670
<b>Total Occupancy Cost:</b>	<b>2,254,670</b>	<b>2,254,670</b>	<b>2,254,670</b>
Occ. Cost as % of Gross Sales:	0	0	0
Projected Breakpoint:	22,546,704	18,788,920	16,104,789
Sales PSF:	564	470	403

Source: Colossus Mfg

# Revised Commonwell Projections

## Projected Rents:

Revenue projections are based on a projected \$36 PSF net rent plus parking revenue of an average of \$13/stall/day. There is no pool, but there is minimal boat rental revenue.

Vacancy is assumed at 10%.

Net income is assumed at \$920,000 annually, after netting CAM, taxes, insurance and other costs.

## RENTAL / PARKING INCOME PROJECTIONS

### RENTAL INCOME:

Revenue Source

Basement Bath House

New Retail Ground Floor

New Retail Second Floor

New Restaurant Third Floor

NEW RETAIL TOTAL:

Size (SF)	Rent PSF	Monthly Rent	Annual Rent
0	\$0.00	\$0	\$0
7,292	\$3.00	\$21,876	\$262,512
5,104	\$3.00	\$15,312	\$183,744
7,292	\$3.00	\$21,876	\$262,512
<b>19,688</b>	<b>\$3.00</b>	<b>\$59,064</b>	<b>\$708,768</b>

### POOL OPERATOR INCOME:

Pool Operator Rent:

Boat Rental Station by Lake

BOAT RENTAL TOTAL:

TOTAL RENTAL INCOME:

<b>3,400</b>			<b>\$0</b>
600	\$2.00	\$1,200	\$14,400
<b>600</b>	<b>\$2.00</b>	<b>\$1,200</b>	<b>\$14,400</b>
<b>20,288</b>	<b>\$2.97</b>	<b>\$60,264</b>	<b>\$723,168</b>

### PARKING INCOME (35 Stalls):

Parking

Parking (April-May) Spring

Parking (June-Sept) Summer

Parking (Oct-March) Fall / Winter

TOTAL / AVG PARKING REVENUE

Price / Day	Occupancy	Monthly Revenue	Annual Revenue
\$12	85%	\$32,742	\$65,484
\$18	75%	\$43,335	\$173,340
\$10	65%	\$20,865	\$125,190
<b>\$13</b>	<b>72%</b>	<b>\$30,318</b>	<b>\$364,014</b>

Confidential Final Draft 7-1-19

**GROSS RENTAL / PARKING REVENUE**

**\$ 90,582 \$ 1,087,182**

# Original Commonwell Projections

## Revenue / ROI Projections:

Based on all of these assumptions,  
Commonwell projects annual net income of  
approx. \$2.14M±.

### Operating Income / CAM Reimbursement

#### Rental Income:

Projected Gross Rental Income:	\$1,988,400
Vacancy (10%):	(\$198,840)
<b>Adjusted Gross Income:</b>	<b>\$1,789,560</b>

#### CAM:

Common Area Maintenance (\$.60 PSF/mo):	(\$292,320)
Management (4%):	(\$79,536)
CAM Reimbursement (\$0.70):	\$334,670
Cap Ex (\$3 PSF):	(\$120,000)
	(\$157,186)

#### Parking Income:

Parking Gross Revenue:	\$537,675
Management (5%):	(\$26,884)
<b>Parking Income:</b>	<b>\$510,791</b>

<b>Net Income:</b>	<b>\$2,143,165</b>
--------------------	--------------------

Source: Colossus Mfg

# Revised Commonwell Projections

## Revenue / ROI Projections:

Based on all of these assumptions, Commonwell projects annual net income of approx. \$920,000.

Commonwell assumed the property would be real estate tax-free, which is unlikely.

## OPERATING INCOME / CAM REIMBURSEMENT

Rental Income			
Projected Gross Rental Income:	\$	723,168	
Vacancy (10%):	\$	(72,317)	
Adjusted Gross Income:			\$ 650,851
Common Area Maintenance (\$ .60 PSF/mo):	\$	(146,074)	
Management (4%):	\$	(28,927)	
CAM Reimbursement:	\$	157,500	\$ 1
Cap Ex (\$3 PSF):	\$	(59,064)	
			\$ (76,564)
Parking Income			
Parking Gross Revenue:	\$	364,014	
Management (5%):	\$	(18,201)	
			\$ 345,813
<b>Net Income:</b>			<b>\$ 920,100</b>

# Comparable Analysis

# Comparison Matrix

HSP identified four comparable projects to the proposed Commonwell proposed development throughout the western United States. The comparable projects analyzed are:

- Oxbow Public Market: Napa, California
- Cedar Creek Bridge Public Market: Sandpoint, Idaho
- The Market at Ferguson Farm: Bozeman, Montana
- The SHED: Healdsburg, California

Tahoe City - Commonwell Comparable Markets and Examples							
Resort Town	Similar Marketplace to Commonwell	Annual Visitors	Annual visitors to the area	Opened	Square feet	# Retail & Restaurant outlets	Owner and/or operator
Tahoe City (North Lake Tahoe area)	The Commonwell (Proposed)	NA	Over 3,000,000	Proposed	40,000	16	NA
Napa, CA	Oxbow Public Market	Over 1,000,000	Over 3,000,000	2007	40,000	22	Madison Oxbow Ventures LLC is a partnership with Steve Carlin, specialty-food consultant and real estate developer, and Madison Marquette
Sandpoint, ID	Cedar Creek Bridge Public Market	n/a	Over 2,000,000 (Schweitzer Mountain broke a record with 247,422 visitors 2018-19.)	2007	16,000	5	New owner, an unknown Florida-based investor who plans to reinvest, renovate and attract new tenants.
Bozeman, MT	The Market at Ferguson Farm, part of the Ferguson Farm development	too new to know, but estimated to be in the thousands	Estimated at over 2,000,000 out-of-state visitors. Spending: \$659 million in Gallatin County, highest in the state, about 20% of the state's total out-of-state spending. A record 478,000 skiers at Big Sky ski resort in 2017-18.	2018	21,000	8 total available	Delaney & Company, Inc. a local Bozeman company
Healdsburg, CA	The SHED	n/a	7,500,000 in Sonoma County overall	2013	10,000	1	Closed

Source: Hunden Strategic Partners

# Comparison Matrix

The adjacent chart compares the economic and demographic traits of the communities where comparable markets have been developed.

The population within 10, 20, and 30 minutes of Tahoe City is significantly less than the population of the other communities, while the median household income is greater. It is important to note that these statistics do not tell the entire story, as the target market of the Commonwell project will be seasonal tourists to Lake Tahoe that are not included in these numbers.

Resort Town	Population within 10 minute drivetime	# of Households within 10 minutes	Median HH Income (\$) within 10 minutes	Population within 20 minute drivetime	# of Households within 20 minutes	Median HH Income (\$) within 20 minute drivetime	Population within 30 minute drivetime	# of Households within 30 minutes	Median HH Income within 30 minute drivetime
Tahoe City (North Lake Tahoe area)	3,228	1,553	\$77,173	11,244	4,729	\$69,534	31,575	13,051	\$75,027
Napa, CA	83,310	29,824	\$70,623	128,530	43,920	\$76,147	300,781	106,645	\$72,443
Sandpoint, ID	12,884	5,484	\$43,878	19,383	8,172	\$47,700	27,152	11,358	\$48,768
Bozeman, MT	46,879	19,601	\$51,834	87,727	35,681	\$56,792	97,269	39,347	\$57,588
Healdsburg, CA	17,409	6,494	\$71,849	93,022	33,453	\$64,902	301,331	110,768	\$64,483

Source: Hunden Strategic Partners

# Oxbow Public Market

<b>Location:</b>	Napa, California
<b>Owner/Operator:</b>	Madison Oxbow Ventures LP
<b>Opened:</b>	2007
<b>Cost:</b>	\$11 million
<b>Size:</b>	40,000 square feet
<b>Households:</b>	43,920
<b>Annual Area Visitors:</b>	3,000,000
<b>Median HH Income:</b>	\$76,147
<b>Population within 20 minute drive:</b>	128,530



# Oxbow Public Market

**Description:**

Located in a re-purposed 1930s tire store and garage, the Oxbow Public Market offers a variety of local and sustainable foods, artisan cafes and organic produce. Offerings include: oyster bar, salads, comfort foods, pizza, micro-distillery, chocolates & cupcakes, ice cream, coffee roaster, and steak. There is indoor center seating, an outdoor riverside deck, and front patio spaces.

**Performance and Lessons Learned**

While the first three years were grim, changes to the tenant mix, new investors, rewards programs and special events such as cooking classes and small tasting and discount festivals added vitality. Word spread and people believed in the concept of locally grown owner-operator food vendors. Downtown Napa became a destination rather than a drive-by on people's way up-valley, because of Oxbow public market. Weekends extremely popular, weekdays are slower but now are profitable.



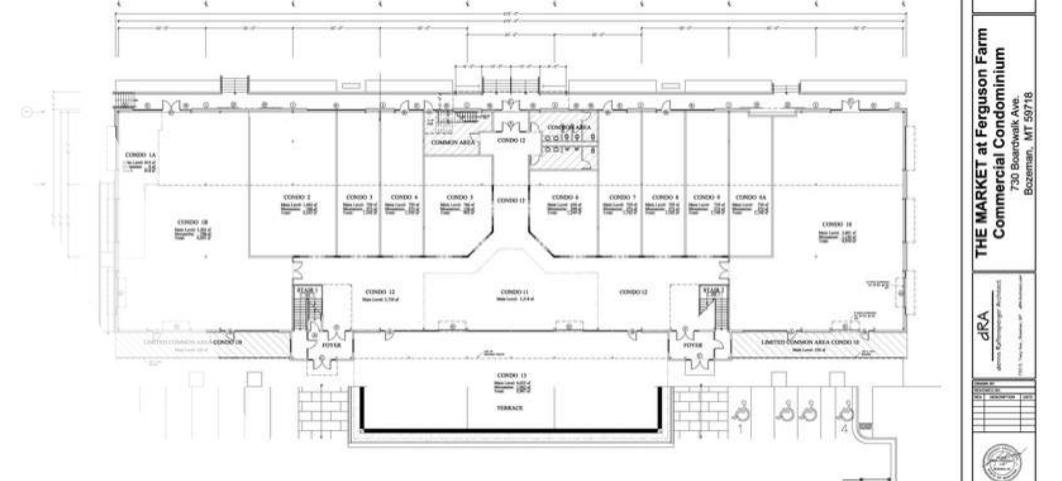


# Napa Economic Development Feedback (Provided to Commonwell)

- Every year, approximately 2 million people visit Oxbow Public Market, nearly as many as visit the the entire city of Napa.
- The popularity of the Market has resulted in improvements and enhancements to the surrounding area, including new wine tasting rooms, breweries, entertainment venues, and hotels.
- The Market generates approximately 10 percent of the entire downtown sales tax revenues on its own, and was a major driver behind the Culinary Institute of America purchasing the adjacent land and developing a campus for their culinary educational programs, a restaurant and bar, and community event center.
- The Market consistently hosts and promotes fundraising and charitable events, and every Tuesday night is "Locals Night," which offers Napa residents discounted food and beverage items.
- The Market also hosts industry events such as acting as the headquarters for the Napa Valley Film Festival and the afterparty venue for the Napa Valley Music Festival.
- Conferences in the Napa market also utilize the Market for special events and offsites.
- At any time of the day, the market employs approximately 90 Napa residents.

# The Market at Ferguson Farm

<b>Location:</b>	Bozeman, Montana
<b>Owner/Operator:</b>	Delaney & Company
<b>Opened:</b>	2018
<b>Cost:</b>	\$15 million (estimated)
<b>Size:</b>	21,000 square feet
<b>Households:</b>	35,681
<b>Annual Area Visitors:</b>	2,000,000
<b>Median HH Income:</b>	\$56,792
<b>Population within 20 minute drive:</b>	87,727



# The Market at Ferguson Farm

## Description:

The Market is a collection of farm-inspired buildings in a village-styled layout including a grain elevator-style tower, with walls of bright windows. The 2-story Market is a collection of specialty retailers and artisans with emphasis on locally-sourced ingredients. The center of The Market is an airy space meant to be a community gathering space, with an open-air catwalk allowing for views. A brewery, bar and a restaurant are open. Future plans include a baker, butcher, and coffee.

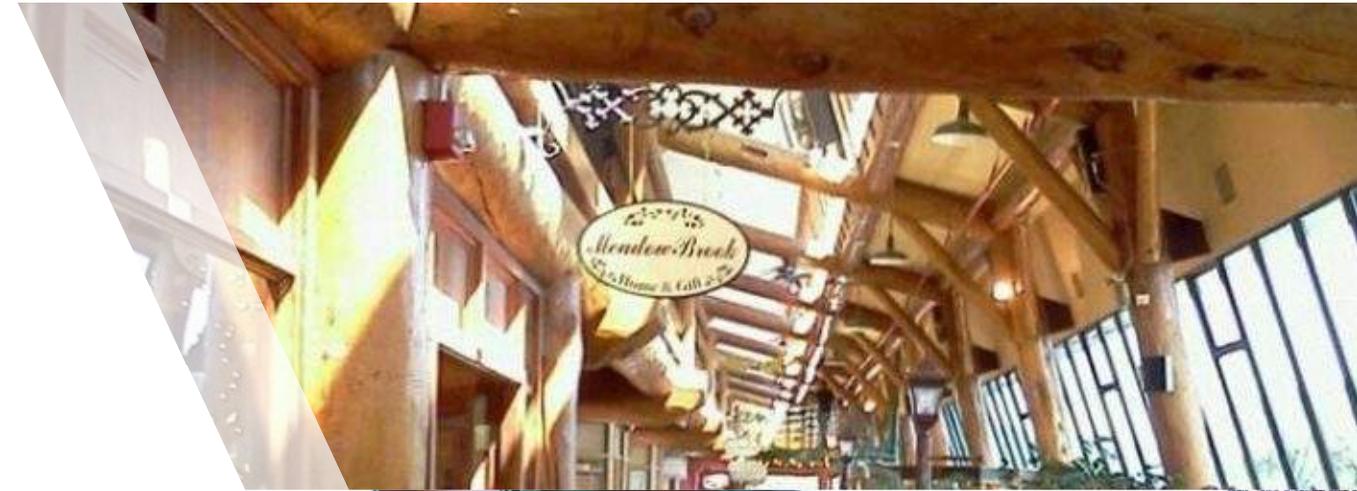
## Performance and Lessons Learned:

In a small city, restaurants are slow to open and fill a public market. The first buildings developed in the Market feature more traditional small-city office space. The Futuna building was first built, including an architecture studio, dermatology and dental offices, a nail salon. Next came the Palisades Building featuring a boutique fitness studio, physical therapy, and float therapy facilities. These buildings help fund the new and (at this point) under-utilized Market building and future development. Future buildings include 23,700 SF grocery, drug store, and lodging.



# Cedar Creek Bridge Public Market

<b>Location:</b>	Sandpoint, Idaho
<b>Owner/Operator:</b>	Unnamed Investor
<b>Opened:</b>	2007 (refurbished in 2017)
<b>Cost:</b>	n/a
<b>Size:</b>	16,000 square feet
<b>Households:</b>	4,729
<b>Annual Area Visitors:</b>	2,000,000
<b>Median HH Income:</b>	\$47,700
<b>Population within 20 minute drive:</b>	19,383



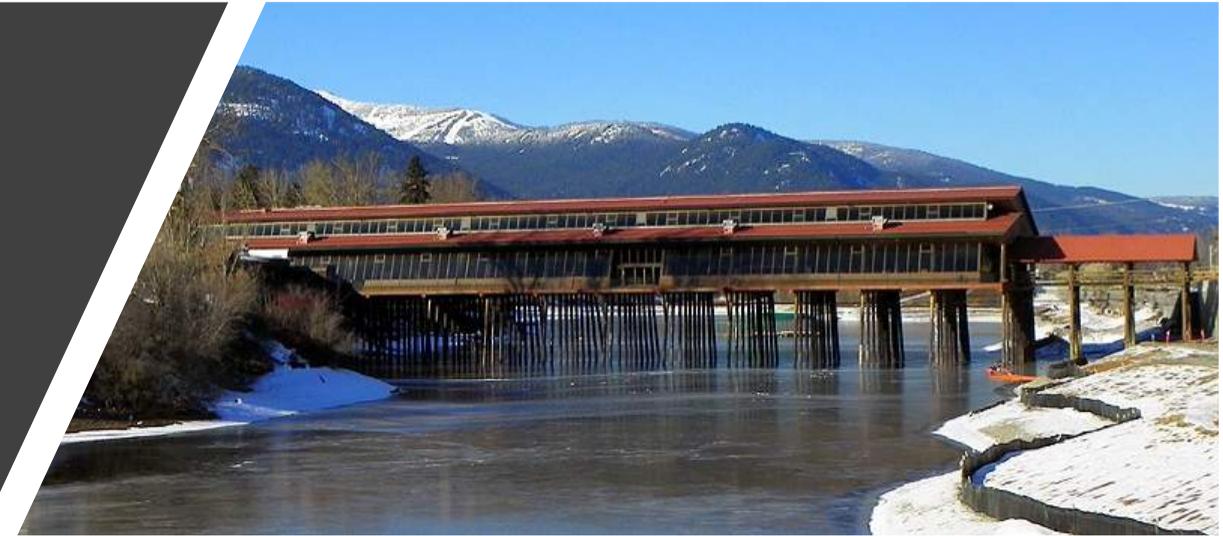
# Cedar Creek Bridge Public Market

## Description:

An iconic architectural building in downtown Sandpoint, the indoor timber and glass building atop a 1933 400-foot pier spanning Cedar Creek off the shore of Lake Pend Oreille was recently converted into its original concept, a public marketplace, after Clearwater Creek closed its original flagship store that took up the entire building. It was revitalized by a \$1.5 million makeover and is marketed towards locally-produced gourmet food, gifts, housewares, clothing, bookshop, and flowers. As of April 2019, there are five businesses. Special events and festivals are ongoing frequently and include live music.

## Performance and Lessons Learned:

Opened in 1983 as a public retail space, it fell on hard times by the mid 1980s when shops closed. In 1995, the entire 16,000 SF are leased to Clearwater Creek, but closed in 2006. A \$1.5 million renovation returned it as a public marketplace with 20 retail units and 20 spaces for food and retail carts. The market has languished and today features only one restaurant and four other businesses. The Market was sold to an unnamed Florida investor in January 2019.



# The SHED

<b>Location:</b>	Healdsburg, CA
<b>Owner/Operator:</b>	Doug Lipton and Cindy Daniel
<b>Opened:</b>	2013 (closed 2017)
<b>Cost:</b>	n/a
<b>Size:</b>	10,000 square feet
<b>Households:</b>	33,453
<b>Annual Area Visitors:</b>	7,500,000
<b>Median HH Income:</b>	\$64,902
<b>Population within 20 minute drive:</b>	93,022



# The SHED

## Description:

Opened in 2013 by Doug Lipton and Cindy Daniel, this 10,000 SF facility offered a coffeeshop and deli with a focus on locally-grown (from farms within 10-30 miles) ingredients in menu items. It contains a modern "general store" selling unique and modern kitchen cooking and gardening items, and pantry provisions. The upper level featured a community event space for rent and was popular with weddings. The SHED closed December 2018 after Northern California fires disrupted tourism and spending. The do remain online, however, and are popular with their online presence.

## Performance and Lessons Learned:

The small city of 12,000, with a quaint Spanish-style plaza featuring shops restaurants and art galleries, relies on the 60 wineries in the area for tourist dollars. Even with 30.1 percent of local Healdsburg households earning over \$100,000 and 11.5 percent over \$200,000, as well as much hype from media, the coffee shop was unable to be resilient enough after the northern California fires in 2017.



# Chapter 7: Assessment of Siren Arts Proposal

---

# 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.



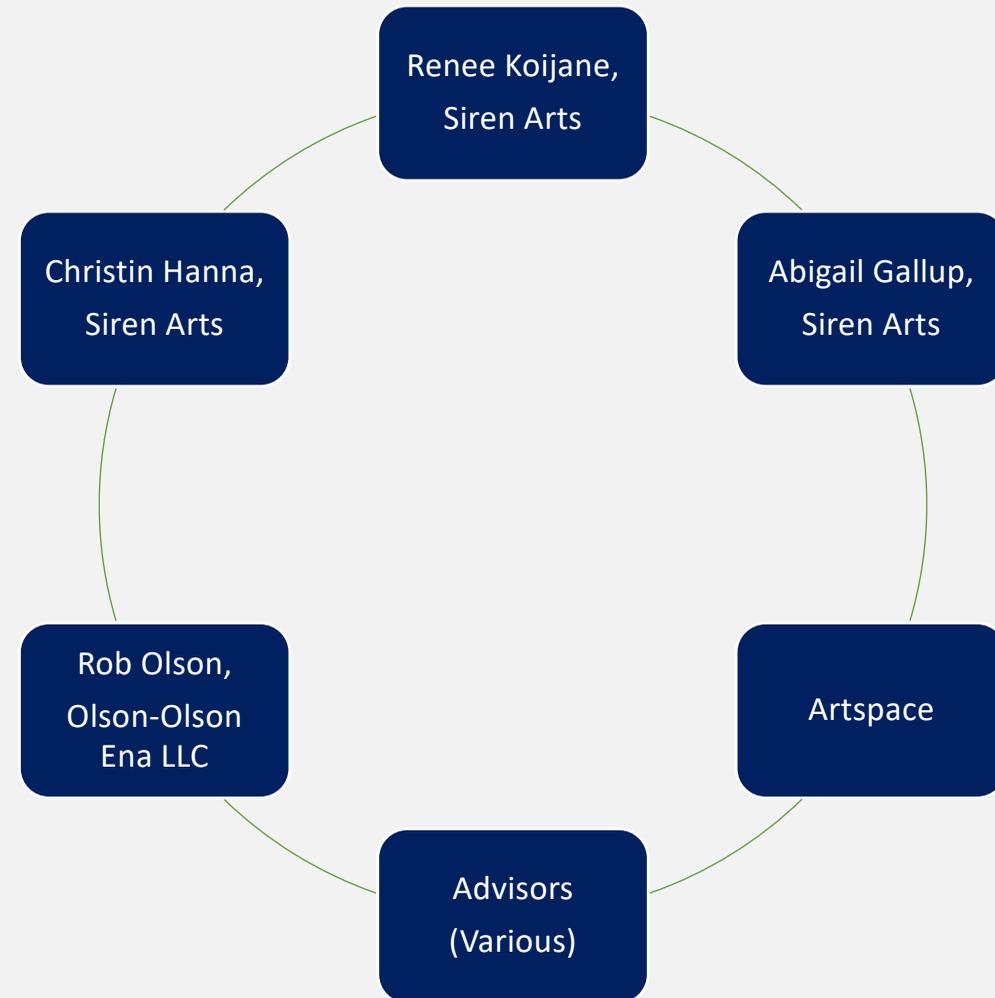
# Project Team

Siren Arts co-founders, Christin Hanna, Renee Kojane and Abigail Gallup, will work together as part of the community outreach, fundraising and overall operations of the proposed concept. Each member has expertise in arts and cultural non-profit leadership, marketing/branding campaigns and artisan retail.

Robb Olson, Olson-Olson Ena, LLC, will act as the lead contact for Planning, Architecture and Construction.

Artspace may act as a project consultant enlisting services to identify financially sustainable components and assist with project concept refinements.

Advisors will be called upon as needed and as fits their particular area of expertise.



# Project Team Experience

Siren Arts is a grassroots organization founded by three long-time residents of Tahoe City, Christin Hanna, Abigail Gallup and Renee Kojane. Their mission is to create a multi-use space centered around arts and culture that will revitalize the Tahoe City downtown corridor and region through cultural tourism. While Siren Arts has no previous experience in developing a facility, they have partnered with Olson-Olson Ena, a local Tahoe City realty, planning, architecture and construction firm, to help develop their vision.

Olson-Olson Ena has worked on a number of relevant projects including the Tahoe Cross Country Ski Area – Schilling Lodge (10,000 square feet; development cost: \$7 million) and the one of the largest multigenerational estates on Lake Tahoe (50,000 square feet; development cost: \$25 million).

Artspace has 46 operating projects across the United States. They have worked on similar projects including The Tannery: Digital Media and Creative Arts Campus in Santa Cruz (CA), Trinidad Artspace in Trinidad (CO) and Franklin Arts Center in Brainerd (MN) among others.

Members of the advisory team represent agencies such as the TCPUD Board, Tahoe City Lodge, and the Reno's Arts Commission.

# Project Details

Siren Arts proposes a new construction based on the “Feasibility Study and Business Planning for New Cultural Facilities in Truckee-North Lake Tahoe” that was completed in 2009 which recommended:

- 23,000-square foot community arts center
- 250-seat flexible performance space with enclosed stage and backstage areas
- 75-person capacity multipurpose room
- Gallery space that can also host events
- Two classrooms
- Concession area/café
- Ten studios for working artists
- Co-op gallery/retail space for exhibit and sale

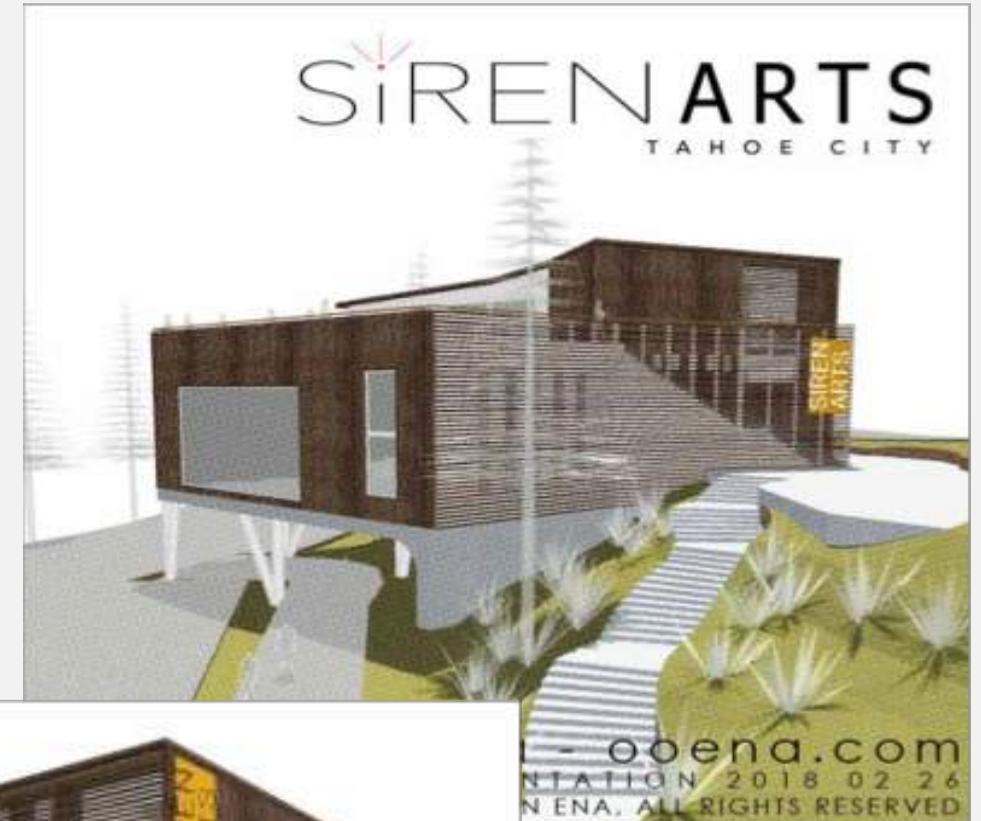
Additional potential components could include:

- Office space for local non-profits and/or other community organizations
- Gallery space for art, science, historical and educational exhibitions
- Visitor center kiosk and box office
- Commercial kitchen to complement event rental and culinary arts
- Storage for Commons Beach events equipment
- Storage for beach side recreational rentals

# Project Design

Siren Arts envisions a flexible multi-use performance space that can seat 250 people. Through the use of retractable seating, this space can open up into a large community space that can house any number of events; year-round farmers' market, pop-up shops for local makers and businesses, corporate off-sites, community fundraising events, an art gallery and shop, visitor's center kiosk, traveling performance groups and an artist-in-residence program all under one roof and all generating revenue.

The proposed design aims to create a more welcoming and explorable downtown experience and reinforce main street vitality by connecting visitors and locals alike to Lake Tahoe culture. We envision a building design that encourages the pedestrian experience by enhancing lake connectivity, and optimizes views of Lake Tahoe. Access and pass-through options from street level to lake level will activate the space surrounding Commons Beach and encourage a walkable downtown experience.



# Interim Firehouse Projections

While the fundraising process for the new development occurs, Siren Arts plans to utilize the existing Firehouse building to accommodate the arts and cultural demands of the local community. Following base level tenant improvements of \$90,000, Siren Arts projects that the operations will generate more than \$100,000 per year in annual revenue, driven by private event rentals.

The larger new facility is projected to cost approximately \$22 million and would have an annual operating budget of approximately \$1.5 million. Given the changes in the expectations for building envelope, HSP has reduced the cost and operating budget.

Interim Use* of Existing Firehouse Projections (Years 1-3)			
	Rate	Quantity	Income/Expense
<i>Income</i>			
Private Event Rental	\$1,500/6+hrs	24	\$36,000
Community/NonProfit Event Rental	\$300/4hrs	24	\$7,200
Vendor Rental for Pop-Up Market	10 @ \$40/booth	40	\$16,000
Commission of Artisans Goods	30%	\$25,000	\$7,500
Private Meeting Rental	2 @ \$75/hr	12	\$1,800
Community/NonProfit Meeting Rental	3 @ \$35/hr	40	\$4,200
Workspace Rental (upstairs only)	10 @ \$150/mo	12	\$18,000
Tickets/Internal Events	50 @ \$10	24	\$12,000
<b>Total</b>			<b>\$102,700</b>
Utilities/Maintenance	\$3,000	12	\$36,000
Internet/Phone	\$300	12	\$3,600
Rent	\$1	Annual	\$1
Miscellaneous	\$500	12	\$6,000
Payroll (1 part-time employee)	\$2,000	12	\$24,000
<b>Total Expenses</b>			<b>\$69,601</b>
<b>Net Income</b>			<b>\$33,099</b>
NOTE: Current uses like Blood Drive & TCDA Fireworks "Boot" Fundraising will be honored			
Source: Siren Arts			

# Fundraising

The total project cost for the 23,000-square foot arts and cultural center is expected to be approximately \$22 million. Siren Arts has established a fundraising goal of \$30 million. With an \$8 million endowment, Siren Arts hopes to allow non-profits to use the space rent-free. The chart below details Siren Arts' fundraising plans.

Siren Arts New Facility Funding Projection									
County \$500k Airport \$90k	County \$500k	County \$500k	County \$4.5M Airport \$900k Donors \$ 11M	Donors \$4M	Donors \$4M	Donors \$1M	Donors \$1M	Donors \$1M	Donors \$1M FULLY FUNDED
\$600 k YEAR 1	\$1.1 M YEAR 2	\$1.6 M YEAR 3	\$18 M YEAR 4	\$22 M YEAR 5	\$26 M YEAR 6	\$27 M YEAR 7	\$28 M YEAR 8	\$29 M YEAR 9	\$30 M YEAR 10
Design, Entitlements, Interim Use & Fundraising			Construction, Off-site Events & Fundraising			In Use Endowment Fundraising Goal: \$8M to offer free rent to Non-Profits			

Source: Siren Arts

Conversations with Siren Arts representatives indicated that the group would likely expect county funds for initial construction costs. The group has garnered initial interest from the Tahoe Truckee airport for potential funds, and they indicated that they are in talks with two other donors that are nearly ready to sign letters of intent. The plan assumes \$6 million contributed by Placer County.

The new facility is projected to operate on an annual budget of approximately \$1.5 million. This includes eight full-time employees. Siren Arts projects that the facility will break even operationally, including \$400,000 in annual donations and endowments.



# Siren Arts Feedback

- Arts have been lacking in Tahoe City for more than 20 years, primarily due to a lack of appropriate facilities.
- Area organizations, such as Tahoe Youth Ballet and Lake Tahoe Dance Collective, must utilize outdoor portable stages or area school theaters to train and perform. This limits the growth and prevalence of arts programs throughout Tahoe City.
- The goal of this project is to not only serve the educational and performance arts community, but also host community gatherings, weddings, and other social events in its flexible multipurpose space. Tahoe City lacks things to do indoors during the winter months, and this can fill a gap in the market.
- The spaces will allow for are non-profits to cross-pollinate, network, share ideas, and sell art and performances. This can be a central hub for the community.
- The goal of the project is to not only provide a permanent space to host area artists and programs in an ever-changing environment, but also grow the artistic community that is limited by existing facilities.
- While the new Stages at Northstar project may be indirectly competitive, the projects are designed and programmed at two different scales. Northstar will feature a massive amphitheater and multiple stages spaces capable of hosting major shows, while Siren Arts is focused on community arts and culture.
- The facility plans to be operated by a non-profit that rents spaces to community groups. The ideal operational structure includes a facility Executive Director that works to fill the building, as well as an Executive Board.
- User groups would include regular programs such as music schools and cooking classes, as well as performances traveling throughout the region.
- The space will be designed and flexible as possible to accommodate weddings and other social events. This is a key piece to the business plan.
- While workshop spaces are integral to the development, artist lofts are not. The existing plans do not include artist lofts.



# Siren Arts Feedback

- While the facility will be able to host traditional flat-floor events, its important the the project is not considered an event center. The goal of the project is to benefit the arts and cultural community.
- With the ability to seat 250 to 300 attendees, Ted Talks and other speaking engagements present tremendous opportunity.
- The plan is for the facility to operate strictly as a rental venue in early years. This includes major acts, speakers, and month to month rentals for smaller spaces, as well as daily use.



# Artspace Feedback

- Artspace operates as both a developer and a consultant. It is a community-driven organization, with a focus on live-work housing, that has worked on more than 200 projects in 46 states.
- The organization typically consults for non-profits with the aspect of development that they may not have experience with such things as the capital plan, financial models, rent rates, and organizational structure.
- The group has not formally contracted with Siren Arts in any official way at this point. The next step would be a sustainable facility analysis.
- Before investing in any project, they would first need to complete their own analysis.
- The organization does not spearhead a non-profits capital campaign for them. They operate strictly as consultants throughout the process.



# North Tahoe Arts Feedback

- In addition to providing workshops and classes, they also offer gallery space and exhibition space for local artists.
- It is their understanding that they will continue to operate out of their existing space until Siren Arts raises enough money for the full development. At that time, they would leave, and then potentially re-enter the space when the project is complete. However, moving is costly, and they are uncertain if they will move back once they are relocated.
- Overall, they are very supportive of the Siren Arts project. There is a need for that type of space in the market. They are just uncertain about their potential involvement, as North Tahoe Arts has very specific space needs (storefront, workshops, and gallery).
- If their existing spaces are not part of the vision, it will be difficult to utilize any new development. They would certainly be willing to rent office space if available.



# Truckee Community Theater Feedback

- The venue is the only community theater in the North Tahoe Truckee market. The organization serves artists and performers ages 6 through 85 through camps, classes, and workshops.
- Their facility, the Truckee Community Arts Center, is a formerly converted recreation center. The facility opened in 2014 after a \$200,000 renovation. The recreation center featured many of the spaces needed by the arts center.
- The groups started out hosting two major events per year in their 200-seat event venue, and they are now hosting 6 to 8 shows plus a variety of camps and classes.
- The greater market offers a collection of high-quality dance studios and kids theater programs, as well as choruses and orchestras. The largest gap is performance arts, such as acting, plays, and musicals.
- Truckee Community Theater would be interested in bringing smaller events, such as improv, to a new cultural and arts center in Tahoe City. There is also potential for weekend plays. Overall, they could envision utilizing the complex once every couple of months or so.
- This facility would allow them to expand their reach, which is their primary goal.
- Unless the main stage area offers premier audio visual capabilities, they likely would not bring major weekend events to the space, though it is a possibility.



# Lake Tahoe Music Festival Feedback

- The goal of the Music Festival is to bring young musicians to classical music. They partner with other organizations throughout Lake Tahoe.
- From a social and economic standpoint, the community needs to diversify its assets. Historically, the area has just focused on outdoor recreation.
- Arts can certainly be at the center of this transformation. There has never been a home base for the arts locally. They have been forced to use high school gyms for live performances or restaurants to hang art. The rich artistic community locally is in desperate need of a home.
- In addition to the five outdoor summer concerts each year, they also organize open mic nights and youth music programs. They can envision hosting open mic nights once a month in any new arts center development. They would be in position to rent spaces for various events.

# The Stages at Northstar

<b>Location:</b>	Truckee, California
<b>Population:</b>	16,553
<b>Owner/Operator:</b>	Tahoe Regional Arts Foundation – 501(c)3
<b>Opened:</b>	2023 (estimated)
<b>Cost:</b>	\$60 million (estimated)

## Overview

The Tahoe Regional Arts Foundation is in the midst of plans to create the Stages at Northstar in Truckee. The plan is subject to change but currently, the 22-acre site will include a state-of-the-art 650-seat theatre, a versatile black box theatre to seat up to 150, a 220-seat multi-purpose room, and 3,500-seat amphitheater. The large lobby and a special outdoor courtyard will be available for meetings, gallery exhibits and events. These items along with a variety of classroom space will combine for over 84,000 square feet of visually stunning space for the community. To date, work accomplished includes the initial feasibility analysis, fund-raising plans, architectural drawings, video, and the initiation of the capital campaign. An environmental review kicked off in 2019.

Confidential Final Draft 7-1-19



# The Stages at Northstar – Funding

With an estimated cost of \$60 million, the Project will likely require several funding sources. Individual donors have contributed largely to the Project. The Project website indicates that the following were Visionaries (\$500,000 - \$1 million)

- Tahoe Mountain Resorts Foundation
- Keith Vogt
- Placer County
- Williams + Paddon

The following donors are listed as “Friends” (under \$50,000):

- Sherrin Fielder, CPA
- SFM Consulting
- Tahoe Truckee Community Foundation

Additional unspecified support has been provided by Parasol Tahoe Community Foundation, Reno Sparks Tahoe Economic Development Authority of Western Nevada, USC School of Dramatic Arts, and Northstar California.





# The Stages at Northstar Feedback

- A 2009 tourism master plan recommended smaller event facility developments in each of the cities throughout North Tahoe as well one larger regional facility. The Stages at Northstar aims to be the regional hub for arts and entertainment.
- The facility plans to contract with Live Nation for the amphitheater component, while the board will operate the facility and be responsible for bringing in local groups to the main theater.
- The venue aims to accommodate the needs of area educational entities in its black box space. There are few drama classes available to area students, and education is a key emphasis for the project.
- In addition to traditional shows, the facility plans to host camps, lectures, dance presentations, playwrights, young artist competitions, vocal competitions, small concerts, conferences, lectures, galas, and other rentals.
- They are very supportive of the Siren Arts project. There is more than enough demand for arts and cultural spaces in the North Tahoe community.
- With that said, there are potential challenges with the site in Tahoe City. The footprint appears to be constrained, parking will be a major problem for a new facility. TRPA presents additional challenges that they do not have to deal with at Northstar.
- The proposed development cost of Siren Arts (\$22 million) is surprising. This is higher than they expected.
- While the location on the lake is very appealing, if there are no views from the event space, it provides little benefit.

# Comparable Analysis

**Comparable Arts Facilities**

Concept	Location	Population	Facility Size	Seats	Cost	Theater	Gallery	Artist Workshop	Classrooms/ Rehearsal	Meeting Space	Retail/ Restaurant
Tahoe City Arts & Cultural Center*	Tahoe City, CA	1,557	19,508 SF	250	\$14.8 million	✓	✓	✓	✓	✓	✓
Crested Butte Center for the Arts	Crested Butte, CO	1,643	n/a	215	\$20 million	✓	✓	✓	✓	✓	
Telluride Arts District	Telluride, CO	2,426	n/a	100	\$13 million		✓			✓	✓
The Argyros	Ketchum, ID	2,763	3,000 SF	460	\$16 million	✓	✓	✓	✓	✓	✓
Sun Valley Center for the Arts	Ketchum, ID	2,763	22,500 (planned)	TBD	TBD	✓	✓	✓	✓	✓	
Kimball Art Center	Park City, UT	7,729	3,500 SF	-	n/a		✓	✓	✓	✓	
Anderson Ranch Arts Center	Aspen, CO	7,359	5-acre complex	-	n/a		✓	✓	✓	✓	
Red Brick Center for the Arts	Aspen, CO	7,359	n/a	-	n/a		✓		✓	✓	
Aspen Art Museum	Aspen, CO	7,359	33,000 SF	-	\$45 million		✓	✓	✓	✓	✓
Jackson Hole Center for the Arts	Jackson Hole, WY	10,532	78,000 SF campus	525	\$18 million	✓	✓		✓	✓	
Emerson Center	Bozeman, MT	46,596	n/a	727	n/a	✓	✓	✓	✓	✓	

*\*proposed*  
Source: Hunden Strategic Partners

# Comparable Arts and Cultural Centers

HSP reviewed ten (10) comparable art facilities throughout the western United States. These facilities offered similar amenities and resort community demographics as Tahoe City. This section profiles each of the comparable facilities.

# Center for the Arts Crested Butte

<b>Location:</b>	Crested Butte, Colorado
<b>Population:</b>	1,643
<b>Owner/Operator:</b>	Center for the Arts – 501(c)3
<b>Opened:</b>	1985 – Current Capital Campaign
<b>Cost:</b>	\$425,000 (original)

## Overview

The Center for the Arts Crested Butte is a 6,000-square foot facility that is home to popular events and a variety of indoor and outdoor attractions including live music, dance, theater, exhibits, speakers and more. The current facility boasts an outdoor stage, a 215-seat indoor auditorium and the Piper Gallery. The facility is owned by the Town of Crested Butte but leased to the Center for \$1 per year.

The Center is currently pursuing a capital campaign to create a new facility and Phase I is expected to be completed by July 1, 2019. The facility will be 28,000 square feet and include a new theater, outdoor stage, four art studios, four performance studios, new gallery and more. Much of the space is designed to be multipurpose. It is estimated that the new facility will cost \$20 million.



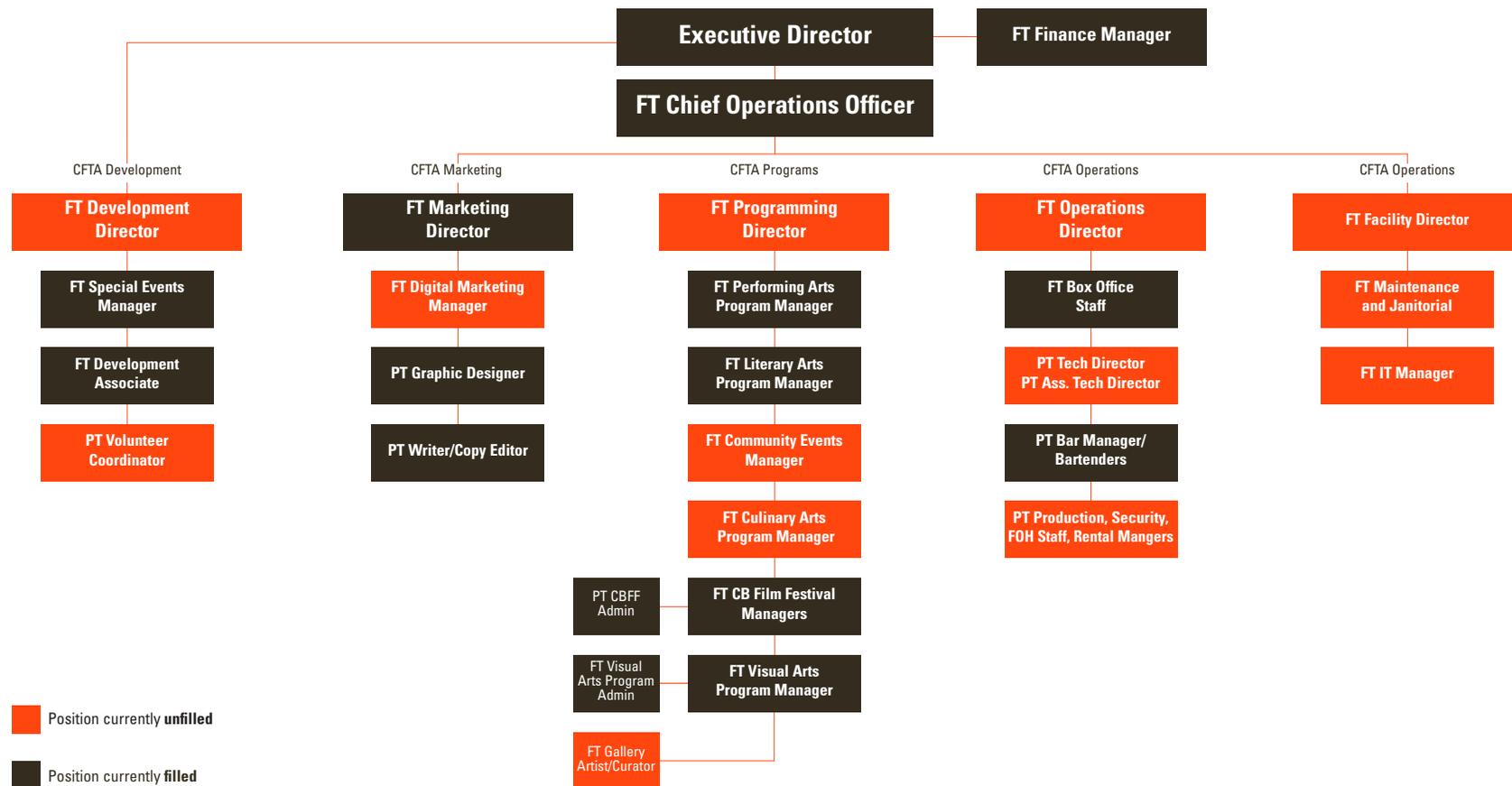


# Crested Butte Feedback

- Currently in building owned by the town and use rent-free
- Three year capital campaign for new building adjacent to current building
- Phase I will be completed and they will move into new building July 1, 2019
- Will repurpose the current building for additional space
- Total cost of new facility is \$20 million
- Hired fundraising consultant to help them plan their fundraising approach
- One donor did a \$1.5 million match donation challenge (three months) and town provided \$1 million in mostly in kind contribution; \$4.3 million naming donation
- Remaining funds are private donations
- Organization annual revenues are \$2.1 million (up from \$1.8 million in 2018) and they break even at best – approximately 40 percent is generated through donations (remainder is events and programming)
- Staff of 9 full-time employees and 45 part-time/year round staff
- Support 14 other non-profits through rental use of space for their own programming
- Facility self-produces 1,200 events per year; these include festivals, events, performances, classes and more
- Run 300 classes and 25 literary arts programs per year
- Need board to be actively engaged in giving and fundraising
- A lead donor is vital – five percent of donor base gives 95 percent

# Crested Butte Organization Chart

**Center for the Arts**  
2023 Organization Chart/Full time Positions



# Crested Butte

## Crested Butte Center for the Arts 2016 Financials

### *Income*

Contributed Revenue	\$539,327
Earned Income	\$847,624
In-Kind Donations	\$180,600
<b>Total Income</b>	<b>\$1,567,551</b>

### *Expenses*

Program Expenses	\$966,969
Administrative Expenses	\$409,983
<b>Total Expenses</b>	<b>\$1,376,952</b>
<b>Net Income</b>	<b>\$190,599</b>

Source: Crested Butte Center for the Arts

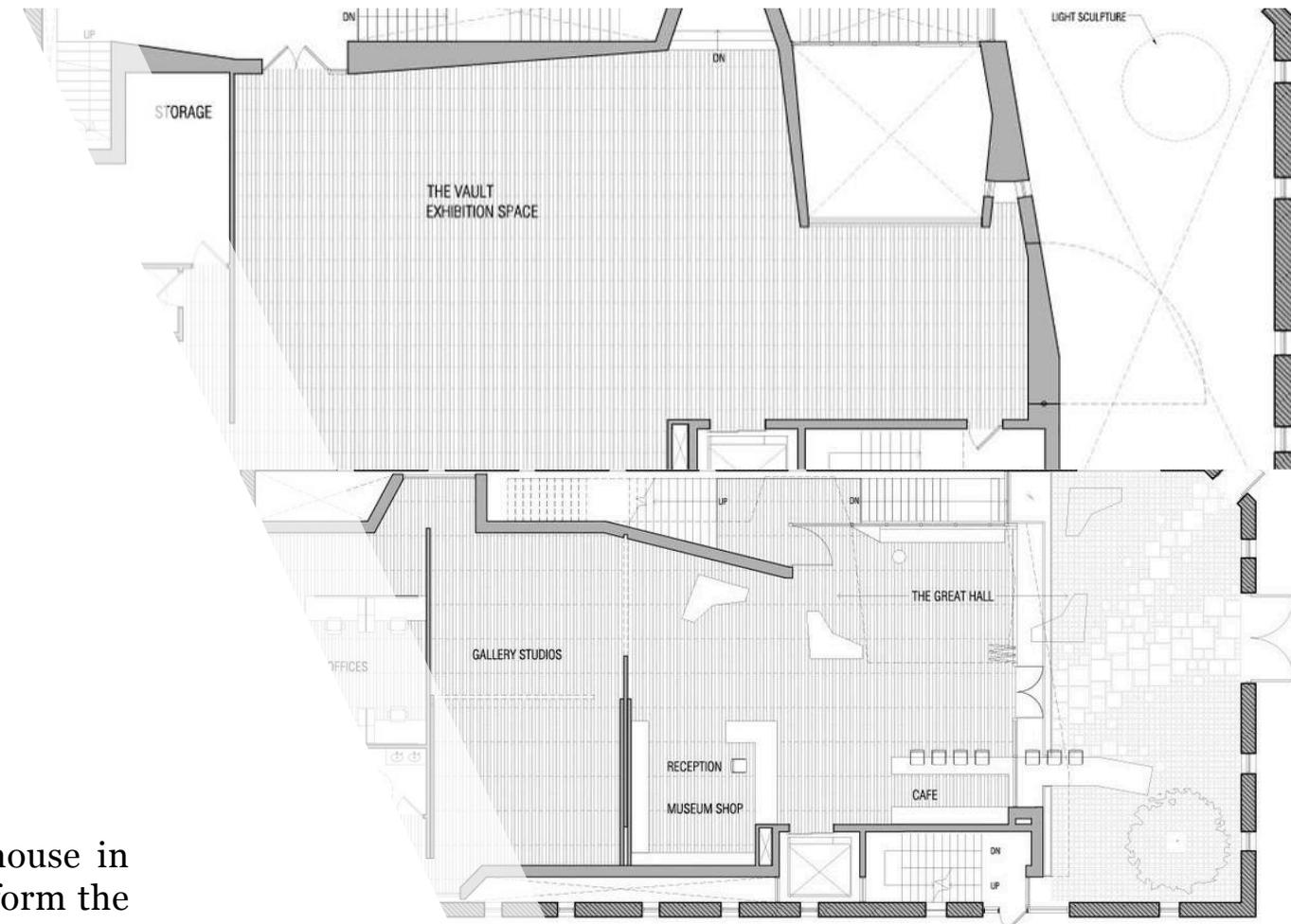
# Telluride Arts District The Transfer Warehouse

**Location:** Telluride, Colorado  
**Population:** 2,426  
**Owner/Operator:** Telluride Arts – 501(c)3  
**Opened:** Currently in Capital Campaign  
**Cost:** \$12 - \$15 million

## Overview

Telluride Transfer Company purchased the Transfer Warehouse in 2013 and asked Telluride Arts to provide leadership to transform the Transfer Warehouse into event and arts space for the Telluride community. The program is currently in the midst of a capital campaign. Plans for the facility include:

- Gallery space
- Museum Shop
- The Vault Exhibition Space
- Offices
- Café





# Telluride Arts District Feedback

- Telluride Arts District is 501(c)3 non-profit established in 1971
- They coordinate all arts activities and events in Telluride but do not currently program or operate any events or facilities
- They lease studio space in three buildings in the community and pay very little rent which enables them to allow non-profits and artists to use the space
- They oversee some small grant programs for Telluride in the area of arts
- They are currently in a capital campaign
- Phase I of the capital campaign is almost complete. This phase was to raise \$1.5 million to retire the debt on the Warehouse, a building purchased from the Town. Phase I will be complete in July 2019
- Phase I funding was raised almost exclusively through individual contributions. They did have a small grant from the city and one from the state historic fund
- As part of Phase II, the Warehouse will be completely redeveloped at a cost ranging from \$1.6 million (just repair the roof – not ideal) to \$13 million or above (full remodel)
- The capital campaign for Phase II will begin as soon as Phase I is done
- They are working with a Denver firm to develop a fundraising strategy as the community has wealth and is full of philanthropic givers
- They get no subsidy from the Town. They are, however, able to rent their spaces for almost nothing.
- Have been fighting political pushback from a new council
- Has one executive director and four staff members and a very engaged and active board
- Have a great relationship with Artspace and look to them for guidance but most of Artspace's tools are not applicable to small towns

# Telluride Arts

---

## Telluride Arts Income

	2017	2018
Grants	361,681	105,445
Contributed Income	385,412	517,133
Earned Income	232,427	238,636
<b>Total Income</b>	<b>981,061</b>	<b>861,262</b>

Source: Telluride Arts

# Anderson Ranch Arts Center

**Location:** Aspen, Colorado  
**Population:** 7,359  
**Owner/Operator:** Anderson Ranch Arts Center – 501(c)3  
**Opened:** 1966  
**Cost:** N/A

## Overview

For 50 years, the Anderson Ranch Center Campus has been a destination for art makers, art enthusiasts and artists of all levels. The Campus is comprised of 14 ranch buildings on five acres. The Ranch offers state-of-the-art facilities for art and activities of all kinds. In the Spring, the Ranch hosts a five-week artists-in-residence program and a ten-week artists-in-residence program in the Fall. Over the summer, they host over 150 workshops, guest faculty lectures, lunchtime auctionettes, an annual dinner and an annual art auction and community picnic.



# Anderson Ranch Arts Center

## Anderson Ranch Arts Center 2017 Profit & Loss Statement

### *Income*

Grants and Contributions	\$2,043,501
Program Service	\$1,967,663
Special Events	\$1,404,477
Appropriations / Miscellaneous Income	\$320,961

<b>Total Income</b>	<b>\$5,736,572</b>
---------------------	--------------------

### *Expenses*

Workshops	\$2,009,364
Services	\$837,790
Residency	\$41,135
Management and General	\$1,718,669
Fundraising	\$818,166

<b>Total Expenses</b>	<b>\$5,425,124</b>
-----------------------	--------------------

<b>Net Income</b>	<b>\$311,448</b>
-------------------	------------------

Source: Anderson Ranch Arts Center

# Jackson Hole Center for the Arts

<b>Location:</b>	Jackson Hole, Wyoming
<b>Population:</b>	10,532
<b>Owner/Operator:</b>	Center for the Arts – 501(c)3
<b>Opened:</b>	2007
<b>Cost:</b>	\$18 million

## Overview

The Center for the Arts is home to 19 arts and education non-profit organizations. Located in downtown Jackson between the Town Square and the base of Snow King Mountain. The Center is a hub for cultural activity. The Center staff manages the building's display areas, performance spaces, offices and meeting areas. The facility offers:

- 78,000-square foot campus
- 33,000-square foot main facility
- Multi-purpose proscenium theater
- 525-seat Center Theater
- Music rehearsal rooms
- Theater rehearsal space
- Dressing rooms
- Construction shop





# Jackson Hole Center for the Arts Feedback

- Facility was built in phases, first half in 2007 and second a few years later
- Total development costs were around \$18 million
- Annual operating budget is around \$3 million. \$1.5 million of that is raised by private donation and the rest is through programming and activating space
- 19 nonprofit partners share space in the facility
- Total of 15 full-time employees, 45 part-time employees and 60 volunteers. Contract labor used as needed
- Annual payroll is \$1 million
- Small mountain towns with high tourism tend to have a wealthy, educated and giving population that get excited about capital campaigns to build things – the trick is keeping them engaged and giving on an annual basis
- All community stakeholders must be engaged and understand ongoing need
- The key is right-sizing the facility and planning for the long term – demographic load is key in planning
- Must also activate the space and particularly the theater since it is one of the most expensive fixed costs. They are working on this – 122 programmed days last year
- Suggested that one of the best tools available that tend to be way underutilized is an endowment. Suggested no less than 10% of the campaign (\$20 million capital campaign = \$2 million endowment = \$80,000 per year for operating costs). The ideal endowment would be 25%.

# Red Brick Center for the Arts

<b>Location:</b>	Aspen, Colorado
<b>Population:</b>	7,359
<b>Owner/Operator:</b>	Aspen Snowmass Council for the Arts
<b>Opened:</b>	1992
<b>Cost:</b>	N/A

## Overview

The Red Brick Center for the Arts is a community arts center featuring gallery exhibitions, children and adult art classes, local artist studios, nonprofit offices, a conference room and dance studio. The Center has two exhibition spaces, the Main Gallery and West Gallery. The gallery space hosts artist lectures, gallery receptions and professional development. The Center also offers shared space for meetings, dance, yoga, martial art, theater, music, lectures and more.



# Aspen Art Museum

**Location:** Aspen, Colorado

**Population:** 7,359

**Owner/Operator:** Aspen Arts Museum

**Opened:** 2011 (current facility)

**Cost:** \$45 million

## Overview

The Aspen Art Museum is a non-collecting institution presenting innovative international contemporary as well as exhibitions, education and public programs, immersive activities and community events. While open for many years at a previous site, the museum moved to the new facility designed by Shigeru Ban in 2011. The facility offers:

- 17,500 square feet of exhibition space
- 33,000 square feet of total museum space
- Free admission
- Only public rooftop view of Aspen Mountain
- Year-round workshops and activities for all ages



# Kimball Art Center

**Location:** Park City, Utah  
**Population:** 7,729  
**Owner/Operator:** Kimball Art Center – 501(c)3  
**Opened:** 1976 – capital campaign currently for new facility  
**Cost:** As of yet undetermined – BIG will design

**Overview**

Since 1976, the Kimball Art Center has been the heart of Park City’s vibrant arts community. The facility offers galleries, studios and an outdoor courtyard to serve a variety of exhibitions, festivals, workshops and events. The facility is engaged in a campaign for a new facility but currently offers:

- Main level – 2,164 square feet
- Lower Level Blue Studio – 280 square feet
- Lower Level Yellow Studio – 469 square feet
- Upper Level Red Studio – 600 square feet
- Upper Level Orange Studio – 576 square feet
- Outdoor courtyard

The facility sold its old home in Old Town for \$7.5 million in 2017. The old site was a venue for the Sundance Film Festival for over 20 years. That funding will be utilized to cover a portion of the costs for the new facility.

Confidential Final Draft 7-1-19



# The Argyros

**Location:** Ketchum, Idaho

**Population:** 2,763

**Owner/Operator:** Sun Valley Performing Arts – 501(c)3

**Opened:** 2018

**Cost:** \$16 million

## Overview

Open in 2018, the Argyros is a high-tech event and performance facility designed to inspire and enrich artists, residents and visitors from around the world. From music to dance, theater to film, speakers to workshops, the Argyros has something for everyone. The facility offers:

- Tierney Theatre with seating for 50-460 people
- Bailey Family Study – 1,000 square feet
- Washington Lobby & Café
- Outdoor plaza – 2,000 square feet



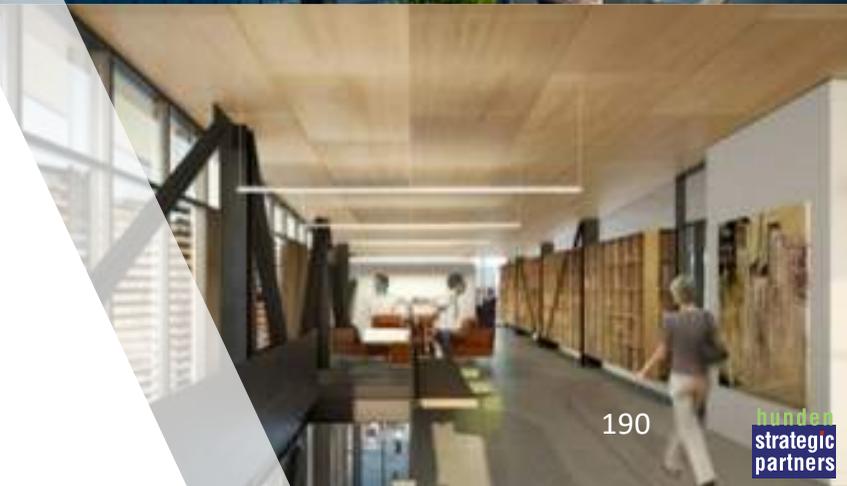
# The Center

<b>Location:</b>	Ketchum, Idaho
<b>Population:</b>	2,763
<b>Owner/Operator:</b>	Sun Valley Center for the Arts – 501(c)3
<b>Opened:</b>	1971
<b>Cost:</b>	N/A

## Overview

Since 1971, the Sun Valley Center for the Arts has provided arts education and events to Ketchum and the state of Idaho. The Center is accredited by the American Association of Museums and offers unique, multidisciplinary programming that includes visual arts, theatre, performing arts, education and humanities. In 2013, the Center approved a merger with professional theatre company, Company of Fools. In 2016, Demi and Bruce Willis donated the historic Liberty Theatre in Hailey, Idaho to Company of Fools and the Sun Valley Center for the Arts. The Liberty Theatre acts as the theatrical home for Company of Fools programming and the museum and administrative spaces for Sun Valley remains at the Center in Ketchum.

The Center is currently entertaining consideration of a new facility with flexible exhibition spaces, classroom space and community gathering spaces.



# Sun Valley Center for the Arts

## Sun Valley Center for the Arts 2016 Income Statement

### *Income*

#### Contributions

Individual Support	\$674,063
Membership Dues	\$203,609
Foundation Support	\$53,350
Corporate Support	\$31,404
Government Support	\$24,899

Total Contributed \$987,325

Eamed \$815,389

Wine Auction Net \$935,026

**Total Income \$2,737,740**

### *Expenses*

#### Center Programming

Arts & Crafts Festival	\$84,422
Humanities & Classes	\$444,364
Performing Arts	\$421,115
Museum Programs	\$367,234
Company of Fools	\$567,481

Total Programming \$1,884,617

Fundraising Administration \$470,081

**Total Expenses \$2,587,234**

**Net Income \$150,506**

Source: Sun Valley Center for the Arts

# Emerson Center for Arts & Culture

<b>Location:</b>	Bozeman, MT
<b>Population:</b>	46,596
<b>Owner/Operator:</b>	Emerson Center – 501(c)3
<b>Opened:</b>	1993
<b>Cost:</b>	n/a

## Overview

In 1992, the Emerson Center for the Arts and Culture purchased the former Emerson School from the Bozeman Public School District. This historic building, registered on the National Register of Historic Places, offers space for theater, artists, musicians, classes, exhibition, retail, and rental space. Facilities include:

- 727-seat Crawford Theater
- 400-capacity Ballroom
- 1,081-square foot Weaver Room



# Implications

---

# 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 \$5.0 million endowment, for a total of \$23.7 million needed.

Confidential Final Draft 7-1-19

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	8,860
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	\$0.0	\$0.0	\$0.0	\$8.0	\$5.0
Total Uneconomic Amount	\$7.1	\$4.3	\$9.7	\$30.0	\$23.7

\* 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



# Critical Issues for Commonwell

Based on the results of the initial market analysis, what are HSP's conclusions related to the highest and best use development for the Firehouse Properties site in Tahoe City?

HSP believes that both proposals have critical financial issues that, as currently proposed, will keep them from being viable within the construct set by the County.

The critical concerns for the **Commonwell** may be able to be mitigated and it has the better chance of financial sustainability.

- Development cost too high to be supported by rents. Rents unrealistic as proposed. Once funded, however, it *could* succeed so long as rents are paid and occupancy is maintained. Given the location, HSP believes it will be one of the more valuable and favorable locations in the market. It should not require ongoing County support. If it did fail financially, a new buyer would purchase for a lower basis and reset the financial situation.
- Parking availability may be an issue to support the sales/rents projected. If parking is suitable, viability improves.
- Certain issues can be mitigated, such as community spaces/event spaces. Community desires indoor/outdoor event spaces.
- Overall, the concept is a compelling one and the vision is strong, but needs adjustments to work.
- *The items that could be added to appeal to the community will cost money and hurt financial viability. Catch-22 for any project and the key concern with Siren Arts as well.*
- *Overall concern is the lack of experience of the development team. This could be mitigated, but it is tough to put a high level of trust in an inexperienced team.*



# Critical Issues for Siren Arts

Critical concerns for **Siren Arts** appear to be hard to mitigate, it has a lesser chance of sustainability, overlaps with an existing larger proposal.

- Financial concerns are very high both upfront and ongoing. To raise funds to develop the \$22+ million project, it will need to compete to raise funds from the same donors as the Stages at Northstar, which is further along in its \$60 million development process.
- The lack of financial and operating experience in this team is also a concern. In order to mitigate that concern, an experienced facility manager with financial reporting skills should be added to the team.
- Ongoing, HSP is concerned that the Stages at Northstar will also vacuum up the content that is planned for Siren Arts. The Stages project will have 4 different venues and is seeking to accommodate the same smaller events as Siren Arts. The market does not appear large enough to support both. Siren Arts would want to assess this after Northstar is stabilized. But going from zero to two theater venues is a recipe for financial disaster.
- Even if Siren Arts was the only stage in town, it will need to mitigate ongoing financial operating losses that will be quite large. There is not current financial support for this, although it is planned. However, the Stages will also be looking to the same funders to sustain their annual operating losses. Regardless if the Stages is developed, the County would be unwise to risk this site to a project that has no ability to generate commercial financial resources and will be 100% reliant on donors and public sector upfront an ongoing.
- Parking is also a concern for events.
- Impact is much lower for this facility than for Commonwell.

# Demand, Financial & Impact Projections

---

### 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
<b>Mixed-Use Retail/Restaurant</b>										
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**

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

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
<b>Total</b>	<b>\$2,260</b>	<b>\$2,364</b>	<b>\$2,474</b>	<b>\$2,588</b>	<b>\$2,708</b>	<b>\$3,074</b>	<b>\$3,935</b>	<b>\$5,037</b>	<b>\$107,506</b>

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
<b>Net New Spending</b>									
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
<b>Total</b>	<b>\$3,974</b>	<b>\$4,157</b>	<b>\$4,349</b>	<b>\$4,550</b>	<b>\$4,760</b>	<b>\$5,404</b>	<b>\$6,918</b>	<b>\$8,856</b>	<b>\$188,993</b>

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
<b>Net New Earnings</b>									
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
<b>Total</b>	<b>\$1,315</b>	<b>\$1,375</b>	<b>\$1,439</b>	<b>\$1,505</b>	<b>\$1,575</b>	<b>\$1,787</b>	<b>\$2,288</b>	<b>\$2,929</b>	<b>\$62,505</b>

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
<b>Net New FTE Jobs</b>									
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
<b>Total</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>39</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>

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

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

Source: Hunden Strategic Partners

**Assumed Program - Reduced Building Envelope\***

<b>Space Type</b>	<b>Square Feet</b>	<b>Banquet Capacity</b>	<b>Theater Capacity</b>	<b>Classroom Capacity</b>
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
<b>Total</b>	<b>8,861</b>			
Prefunction, Back of House, Circulation, Etc.**	10,831			
<b>Total</b>	<b>19,692</b>			

\* 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**

<b>Event Type</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 10</b>
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
<b>Non-Exhibit</b>						
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
<b>Total</b>	<b>114</b>	<b>143</b>	<b>162</b>	<b>175</b>	<b>182</b>	<b>182</b>

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
<b>Total</b>	<b>7,700</b>	<b>9,900</b>	<b>12,000</b>	<b>13,600</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>	<b>14,700</b>

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
<b>Exhibit Events</b>										
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
<b>Average</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>80</b>						

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
<b>Revenue</b>										
<b>Event Revenue</b>										
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
<b>Other Revenue</b>										
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
<b>Total Operating Revenue</b>	<b>\$628</b>	<b>\$843</b>	<b>\$1,043</b>	<b>\$1,211</b>	<b>\$1,386</b>	<b>\$1,420</b>	<b>\$1,455</b>	<b>\$1,490</b>	<b>\$1,527</b>	<b>\$1,564</b>
<b>Expenses</b>										
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
<b>Total Expenses</b>	<b>\$1,150</b>	<b>\$1,246</b>	<b>\$1,326</b>	<b>\$1,406</b>	<b>\$1,492</b>	<b>\$1,529</b>	<b>\$1,566</b>	<b>\$1,605</b>	<b>\$1,644</b>	<b>\$1,684</b>
<b>Net Operating Income</b>	<b>(\$522)</b>	<b>(\$403)</b>	<b>(\$284)</b>	<b>(\$195)</b>	<b>(\$106)</b>	<b>(\$109)</b>	<b>(\$112)</b>	<b>(\$115)</b>	<b>(\$117)</b>	<b>(\$120)</b>

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	\$0
Debt Service Payment	(\$0)	(\$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	\$0
Interest	\$0	\$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	\$0
Loan Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Assumptions</b>													
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
<b>Total</b>	<b>61%</b>	<b>90%</b>	<b>56%</b>	<b>44%</b>	<b>8,226</b>	<b>1.6</b>	<b>5,218</b>	<b>914</b>

### 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	<b>26,416</b>
New Overnighter Days	4,221	5,454	6,642	7,551	8,226	8,226	8,226	8,226	<b>237,744</b>
New Room Nights	2,655	3,442	4,194	4,810	5,218	5,218	5,218	5,218	<b>150,777</b>
Total Visitors	7,700	9,900	12,000	13,600	14,700	14,700	14,700	14,700	<b>425,400</b>
New/Recaptured as % Total	60.9%	61.2%	61.5%	61.7%	62.2%	62.2%	62.2%	62.2%	<b>62.1%</b>

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
<b>Total</b>	<b>\$597</b>	<b>\$789</b>	<b>\$994</b>	<b>\$1,180</b>	<b>\$1,321</b>	<b>\$1,510</b>	<b>\$1,933</b>	<b>\$2,475</b>	<b>\$51,593</b>

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
<b>Net New Spending</b>									
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
<b>Total</b>	<b>\$1,039</b>	<b>\$1,373</b>	<b>\$1,730</b>	<b>\$2,053</b>	<b>\$2,299</b>	<b>\$2,627</b>	<b>\$3,363</b>	<b>\$4,305</b>	<b>\$89,752</b>

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
<b>Net New Earnings</b>									
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
<b>Total</b>	<b>\$329</b>	<b>\$435</b>	<b>\$547</b>	<b>\$649</b>	<b>\$727</b>	<b>\$830</b>	<b>\$1,063</b>	<b>\$1,361</b>	<b>\$28,364</b>

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
<b>Net New FTE Jobs</b>									
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
<b>Total</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>

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

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

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 12 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
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	\$0.0	\$0.0	\$0.0	\$8.0	\$5.0
Total Uneconomic Amount	\$7.1	\$4.3	\$9.7	\$30.0	\$23.7
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	12%

\* 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 a semi-passive use.

- 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

---