bae urban economics

FINAL

Placer County Tahoe Basin Town Center Economic Sustainability Needs Analysis

Prepared for the County of Placer

March 13, 2020

March 13, 2020

Jennifer Merchant
Deputy CEO
County of Placer
175 Fulweiler Dr.
Auburn, CA 95603

Dear Jennifer:

BAE is pleased to submit this final evaluation of the economic sustainability needs for the Town Center and Village Center areas in Placer County's Tahoe Basin region. We have enjoyed working with you and other County staff in developing this analysis, and we look forward to seeing the results as the County follows up on the report's recommendations.

Sincerely,

Matt Kowta
Managing Principal

Amanda Wallace
Associate

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EXECUTIVE SUMMARY

Placer County retained BAE Urban Economics, Inc. (BAE) to conduct research to better understand the development-related economic forces behind the lack of investment in Town Centers and Village Centers within the Placer County Tahoe Basin area and identify potential local government initiatives which could attract environmentally and economically beneficial investment to support a sustainable economy for the area.

Research for this study included review of numerous background documents, local codes and regulations, and an extensive set of interviews with a range of individuals who are very familiar with local land use issues, regulations, real estate market conditions, and the economics of acquiring and developing properties in the Placer County Tahoe Basin area. Interviewees included development consultants and contractors active in the basin, developers of proposed and existing projects, public officials, and local business owners and representatives. Although no individual is specifically quoted in this report, the input from these interviews is reflected in the information, findings, and recommendations provided herein which are a synthesis of not only the interview results but also the findings from BAE's additional data gathering from various secondary data sources.

A key tool for evaluating the potential for private investment in the Placer County Tahoe Basin area was a set of pro-forma financial feasibility analyses for four different prototype development projects, including a mixed-use project with rental apartments over retail, for-sale condominium project, a limited service hotel project, and a "condotel" project, which is a hybrid of for-sale condominiums and a hotel. The financial feasibility analysis models the costs to a developer to acquire property and develop the prototype projects and then projects the income the completed projects could generate and evaluates whether the projects would be sufficiently profitable to attract developer and investor/lender interest. While the pro-forma analysis results provide a general assessment of the financial feasibility of the different prototype projects, the results should not be interpreted to be indicative of the feasibility of any specific project that may be proposed, as each project will have its own specific set of circumstances, any of which may vary from the assumptions used for pro-forma modeling.

The research conducted for this study indicates that the Placer County Tahoe Basin area has seen very little new development other than limited single-family home construction over the last ten years. It is quite likely that a combination of local factors has limited the Placer County Tahoe Basin area's ability to keep pace with the strong overall North Lake Tahoe tourism economy and the robust Northern California regional economy that has prevailed since the recovery from the Great Recession, due in part to lack of economic feasibility for many types of development within the Basin. Specifically, BAE identified a series of barriers to new development that can be grouped into four main categories:

- High Cost of Development
- Uncertainty, Risk, and Indirect Costs Associated with a Complex Entitlement and Permitting Process
- Complex and Prescriptive Requirements Hinder Project Feasibility
- Local Conditions Not Conducive to Investment

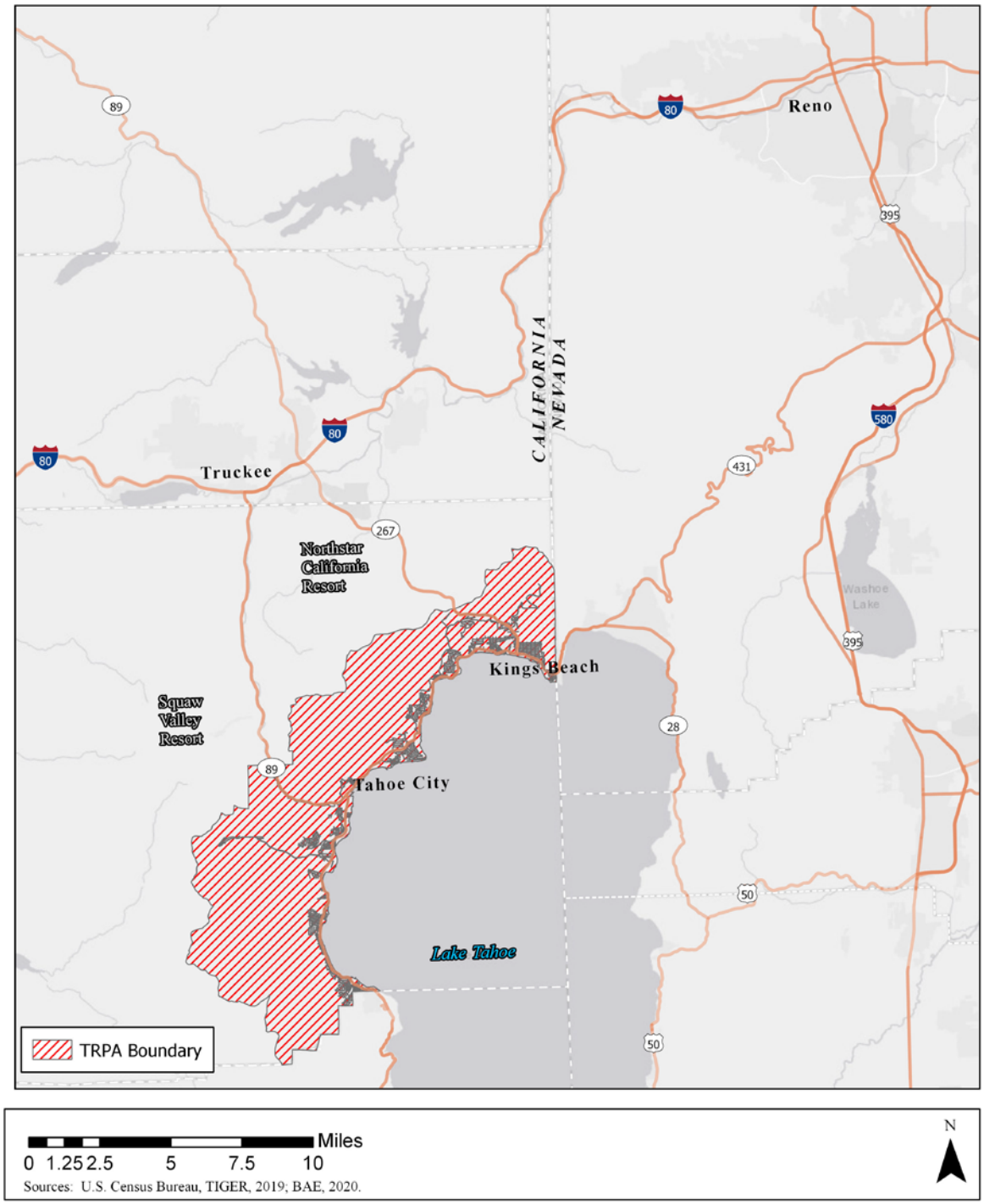
The last chapter of this report provides a series of recommendations for Placer County, also grouped by the four categories listed above, which can help to remove the identified barriers. The centerpiece of the recommendations is a series of modifications to the North Lake Tahoe Economic Incentive Program, which would provide the County with more tools to use to help developers to overcome the high cost of development in the Tahoe Basin. The modifications to the Incentive Program are supported by additional recommendations to make changes that address the other three categories of identified barriers, recognizing that in addition to addressing financial feasibility factors, Placer County also needs to make its development review and permitting process more developer-friendly, provide developers with more flexibility to design projects that can be successful, and create an overall Tahoe Basin business environment that is more supportive of private investment.

INTRODUCTION

This report focuses on the development-related economic forces behind the lack of investment in Town Centers and Village Centers within the Placer County Tahoe Basin area, and identifies potential local government initiatives which could attract environmentally and economically beneficial investment to support a sustainable economy for the area. Figure 1 delineates the Placer County Tahoe Basin study area defined for the purposes of this study.

Work for this study included an extensive set of interviews with a range of individuals who are very familiar with local land use issues, regulations, real estate market conditions, and the economics of acquiring and developing properties in the Placer County Tahoe Basin area. Interviewees included development consultants and contractors active in the basin, developers of proposed and existing projects, public officials, and local business owners and representatives. Appendix A includes a listing of the individuals whom BAE interviewed as part of this study. Although no individual is specifically quoted in this report, the input from these interviews is reflected in the information, findings, and recommendations provided herein which are a synthesis of not only the interview results but also the findings from BAE's additional data gathering from secondary data sources such as published codes and regulations, building data furnished by Placer County, data from governmental data sources such as the American Community Survey, and data from private data vendors, such as Esri, STR, and CoStar.

Figure 1: Placer County Tahoe Basin Study Area



REGULATORY OVERVIEW

This section of the report summarizes the regulatory agencies that oversee development within the Placer County portion of the Tahoe Basin and the pertinent planning documents and policies that guide development in the area.

Tahoe Regional Planning Agency

Land development within the Tahoe Area, including the Placer County Tahoe Basin, is regulated by the Tahoe Regional Planning Agency (TRPA). The TRPA was established in 1969 by the Tahoe Regional Planning Compact (Public Law 06-551, 94 Statute 2322, or "Bi-State Compact"), which was a joint agreement between the State of California and Nevada, and the 96th Congress of the United States. Under the Bi-State Compact, the TRPA has authority over land use and other activities in the Tahoe Basin, in order to encourage the wise use and conservation of the waters of Lake Tahoe, and of the resources around the lake. The Compact requires that TRPA establish environmental threshold carry capacities (Thresholds) defining the region's environmental goals and implement a Regional Plan that will achieve and maintain the Thresholds over time. Since 1987 development in the Basin has been strictly regulated by the requirements of the Lake Tahoe Area Regional Plan (Regional Plan). Prior to adoption of the Regional Plan, development within the Tahoe Basin was largely unregulated, leading to adverse environmental impacts to the natural environment. In order to regulate growth and better balance interactions between the natural and built environments in the Tahoe Basin, the 1987 Regional Plan created an inventory of land use commodities (described below), under a transfer of development rights (TDR) framework. The TDR framework encourages the relocation of existing development and development rights from sensitive areas to properties that are more suitable for development.

Land Use Commodities

The 1987 Regional Plan established various types of land use "commodities" which can be bought and sold separately from the property from which they originate, and in some instances can be transferred to other locations, banked for future use, converted into other types of commodities, or acquired from local jurisdictions' pool of allocations. Residential allocations can also be earned through bonus programs in exchange for provision of certain environmental remediations. The TRPA caps the maximum buildout for each commodity and incrementally releases allocations for each use, effectively limiting short-term and total development capacity within the area.

To develop new commercial floor area or a new hotel unit, a property owner must obtain from the TRPA a development "Allocation". TRPA classifies these non-residential Allocations as Commercial Floor Area (CFA) or Tourist Accommodation Units (TAUs). CFA refers to the gross floor area of structures dedicated to commercial uses (e.g., retail, office, etc.), while TAUs primarily represent hotel and motel units, but also include some condominium units that are

professionally managed and function as temporary rental accommodations (i.e., visitor stays of 30 days or less).

The process for obtaining the rights to develop a residential unit (i.e., single-family or multifamily unit) is two-fold. First, a property owner must obtain a Potential Residential Use (PRU), which represents the right to develop a lot. Second, a property owner must obtain a Residential Allocation from TRPA, which represents permission to actually build a residential unit. The PRU and Residential Allocation combine to form a Residential Unit of Use (RRU).

In addition to the above-mentioned commodities, residential and non-residential projects must also obtain the necessary "Coverage" rights. Coverage rights regulate permanent land disturbance and the establishment of impervious surfaces. The amount of coverage permitted is based on the land capability system, which limits land coverage based on ecological importance and sensitivity to degradation.

Parcels without the necessary commodities, or developers wishing to increase density beyond the allowable envelope, must purchase additional development rights or properties containing additional development rights to be transferred, as necessary, to accommodate the desired development.

2012 Regional Plan

While the 1987 Regional Plan and the programs it implemented substantially reduced the rate of environmental decline, very little new development occurred in the Placer County Tahoe Basin since the adoption of the Regional Plan and the environmental impact of "legacy development" that was constructed prior to Regional Plan continues to adversely impact the region. In 2012, TRPA updated the Regional Plan to remove regulatory barriers to environmental redevelopment and created incentives for privately funded environmental enhancements and transfer of development from environmentally sensitive areas to redevelopment sites designated as mixed-use Town Centers[1]. Town Centers within Placer County include the communities of Tahoe City, Kings Beach, and North Stateline. The 2012 Regional Plan also designated smaller centrally located commercial districts as Village Centers where mixed use development is allowed but which are not eligible for Town Center incentives. Village Centers in Placer County include the communities of Tahoma, Homewood, Sunnyside, Lake Forest/Dollar Hill, Carnelian Bay, and Tahoe Vista.

[1] Town Centers contain most the region's non-residential services and have been identified as a significant source of sediments and other contaminants that continue to enter Lake Tahoe. Town centers are targeted for redevelopment in a manner than improves environmental conditions, creates a more sustainable and less auto-dependent development pattern, and provides economic opportunities for the region.

Placer County

Placer County is responsible for implementation and enforcement of local regulations and policies such as the Placer County General Plan, Housing Element, and Placer County Tahoe Basin Area Plan, and well as statewide polices and regulations such as the California Building Code. The County is also responsible for collecting applicable development impact fees and other fees associated with development. The seat of local government in Placer County is located in the City of Auburn, though the County also has local offices in Tahoe City. Development within Placer County and the Tahoe Basin is generally regulated by the Placer County Community Development Resource Agency (CDRA). The following subsections briefly highlight the Placer County Tahoe Basin Area Plan and the County's Employee Housing Requirement, which impact development in the Placer County Tahoe Basin.

Placer County Tahoe Basin Area Plan

The 2012 Regional Plan encourages local governments within TRPA's jurisdiction to prepare Area Plans that implement the Regional Plan and streamline the permit process. In January 2017, the TRPA Governing Board adopted the Placer County Tahoe Basin Area Plan (Area Plan), which functions as a component of the Lake Tahoe Regional Plan and the Placer County General Plan and implements redevelopment incentives within the Tahoe City, Kings Beach, and North Stateline Town Centers. The Area Plan consolidated six Community Plans and 57 Plan Area Statements previously adopted for the Placer County Tahoe Basin in conformance with the 1987 Regional Plan. The 2017 Area Plan initiated a number of policies and programs aimed at encouraging development within the Town and Village Centers, while improving scenic quality and promoting alternative modes of transportation. Some of the more significant policy changes that resulted from the 2017 Area Plan Update include:

- Allowed residential mixed-uses within Town Center
- Modified parking standards which reduced minimum parking requirements in some instances and promoted shared parking arrangements,
- Increased allowable height, density, and maximum coverage in the Town Centers
- Implemented site and building design standards for Town Centers which promote pedestrian and scenic quality
- Allowed project sites to include multiple non-contiguous parcels as a means of aggregating project sites large enough to accommodate development
- Allowed conversion of CFA to TAUs
- Adopted a conformity program which transfers limited development permitting authority to Placer County for projects which will not have a substantial impact on the region's natural resources.

Employee Housing Requirement

The 2013 Placer County Housing Element Policy C-3 requires that commercial development projects within the Tahoe Basin provide housing for 50 percent of the net new employees generated by the project. These units must be deed restricted for a minimum of 30 years and

generally affordable to households with incomes between 60 percent and 140 percent of the area median income after adjusting for household size. The County prefers the units be provided on the same site as the commercial development, or off-site if necessary. The County does not have an adopted in-lieu fee to satisfy the Employee Housing Requirement, though County staff indicate an in-lieu fee could be negotiated as part of a Development Agreement or within an Employee Housing Plan.

Public Utility Districts

Public utilities such as water, sewer, wastewater treatment, solid waste, and other services are provided by a number of Public Utility Districts (PUDs) throughout the Placer County Tahoe Basin. These PUDs typically own and operate their own infrastructure and are governed by their own elected or appointed Boards of Directors. The Tahoe Truckee Sanitation Agency (TTSA) provides wastewater treatment services to the Placer County portion of the Tahoe Basin, while the Tahoe City PUD provides water and sewer to Tahoe City and the North Tahoe PUD provides water and sewer services to all other portions of the Placer County portion of the Basin. New development within the Basin is often limited by age and capability of the existing infrastructure to accommodate additional demand on system capacity, with upgrade costs often borne by the developer.

North Tahoe Fire Protection District

The North Tahoe Fire Protection District (NTFPD) is the predominant provider of fire protection and emergency medical services to the Placer County Tahoe Basin. Part of the NTFPD's responsibilities is to enforce Title 24, Part 9 of the California Code of Regulations, otherwise known as the Fire Code. Along with the California Building Code, the Fire Code is updated every three years and regulates a number of elements pertaining to development including ingress and egress, fire hydrants, fire sprinklers, and road access requirements for emergency vehicles.

DEVELOPMENT TRENDS

This section of the report summarizes the types and locations of new development in the Placer County Tahoe Basin since 2010, and describes how development patterns compare to the development pattern envisioned in the Area Plan. This section of the report also compares how the existing development aligns with the range of uses typically desired in a balanced resort community.

Historic Land Use Pattern

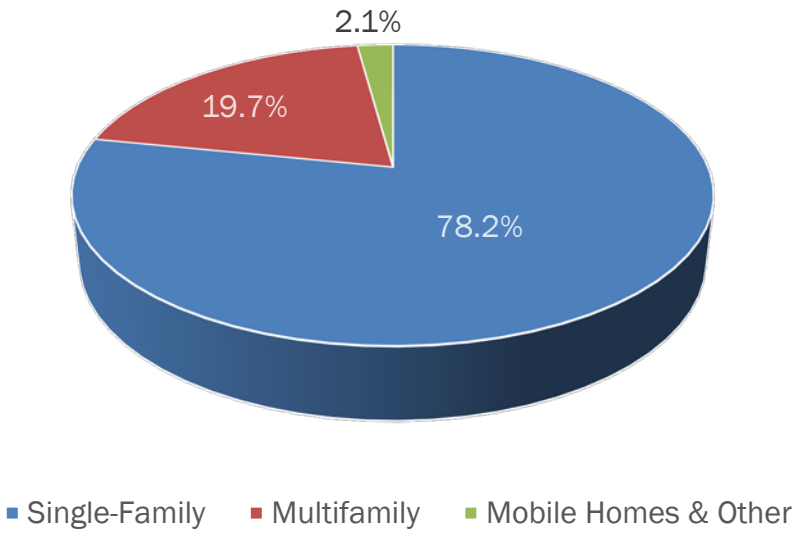
The 2017 Tahoe Basin Area Plan outlines the existing land use in the area and historic development trends. According to the Area Plan, more than 85 percent of the Placer County Tahoe Basin is undeveloped and protected, including vacant, conservation/backcountry, and recreational land uses. Notably, since the adoption of the Regional Plan in 1987, approximately 8,360 residential parcels were acquired by public agencies throughout the Lake Tahoe Basin for environmental purposes. Currently, about 7.7 percent of the Plan area is designated for residential land use, and only 0.4 percent is for commercial land use. Public services, tourist accommodations, and industrial land uses make up 0.7 percent, 0.2 percent, and 0.1 percent, respectively. The majority of developed land is located around the shoreline of Lake Tahoe. However, most of this development is older construction that predates the 1987 Regional Plan.

Residential Land Use Pattern

While residential development initially was concentrated along the lake's west shore between Tahoma and Tahoe City, between 1930 and 1959 residential growth shifted to the communities of Kings Beach, Tahoe Vista, Tahoe City, Dollar Point, and Carnelian Bay. Residential development was especially pronounced between 1960 and 1989, with Tahoe City and Dollar Hill developing rapidly. Although the pace of development significantly slowed following the adoption of the 1987 Regional Plan, many of the older residential units have gradually been replaced with rebuilt or substantially remodeled homes which tend to be larger and more expensive than the original units.

According to the 2014-2018 American Community Survey (ACS), single-family homes account for around 78 percent of the Placer County Tahoe Basin's approximately 12,331 housing units. Multifamily units account for an additional 20 percent of the area's housing stock, with the majority of multifamily complexes containing ten or fewer units. Mobile homes and other types of non-traditional housing units account for the remaining two percent of the area's housing stock. Most of this residential development is concentrated in Kings Beach and Tahoe City, which account for around 60 percent of the permanent resident population.

Figure 2: Residential Unit Type, 2014-2018



Sources: U.S. Census Bureau, American Community Survey 2014-2108, Table B25024; BAE, 2020.

The residential real estate market in the Placer County Tahoe Basin is dominated by the vacation home market. These vacation homes are typically occupied on an intermittent basis by second homeowners or rented out on a nightly basis to visitors (i.e., overnight rentals). As a result, the ACS reports that roughly 60 percent of Placer County Tahoe Basin's housing stock was vacant because it was held for recreational or seasonal use between 2014 and 2018. This severely limits the amount of housing available for the local workforce to own or buy, such that the ACS also reports that only two percent of the area's housing stock was available to rent or purchase during the same time period. Consequently, the second home market inflates the cost of housing, as second homeowners typically can afford to pay more for housing than residents and the local workforce, many of whom are employed in generally low paying hospitality or service industry jobs. The lack of housing affordable to residents and the local workforce has contributed to a steady decline in the permanent year 'round population within the Placer County Basin as residents seek out cheaper housing options in more affordable locations such as Reno or Truckee. Since 1999, the U.S. Census Bureau reports the year 'round population of the Placer County Tahoe Basin declined approximately 29 percent. The nature and extent of the area's housing issues are documented extensively in the Truckee North Tahoe Regional Workforce Housing Needs Assessment.

Commercial Land Use Pattern

The distribution of commercial uses (i.e., retail, office and industrial/flex space) within the Basin generally follows the same pattern as residential development, with the majority of the area's commercial development located in the Kings Beach and Tahoe City Town Centers and additional smaller concentrations of commercial development in communities designated as Village Centers. As shown in Table 1 on the following page, data for properties tracked by

CoStar indicate that the Placer County Tahoe Basin's commercial real estate tends to be older and of relatively low quality. For example, of the approximately 755,956 square feet of commercial floor area tracked by CoStar in the Placer County Tahoe Basin, only two properties totaling 10,100 square feet are considered Class A properties. These include the Lakehouse Mall at 120 Grove Street, and the retail space at 585 West Lake Boulevard which currently houses Pet Station. Both of these properties are located in Tahoe City. The area's remaining commercial inventory consists of Class B and C properties which tend to have been built in the mid 1970's, though some properties date back to as early as 1906. It should be noted that commercial properties tracked by CoStar may not represent a complete inventory of commercial properties in the Placer County Tahoe Basin, but are generally representative of the area's overall commercial market. Additionally, the quality ratings assigned by CoStar are relative to the area's market. For example, a property considered Class A in the Placer County Tahoe Basin would likely be considered to be a lower quality rating in major metropolitan markets.

The data indicate, and interviews with local real estate professionals confirm, that very little private redevelopment of the area's commercial market has occurred. Major constraints include the small sizes of its commercial lots and the Town Centers' current development that already exceeds TRPA restrictions. Additionally, because so little redevelopment has occurred, much of the area's commercial stock is obsolete and would require significant and costly work to bring up to current standards. Due to these limitations, the recent investment in the Town Centers has been driven primarily by public projects. In Kings Beach this includes waterfront improvements at the Kings Beach State Recreation Area, street infrastructure along Highway 28, and water quality improvements. Tahoe City and its Town Center have also undergone similar changes, such as street infrastructure and new public land amenities, though Tahoe City has experienced slightly more private redevelopment.

Table 1: Commercial Inventory Summary, Placer County Tahoe Basin, Q3 2019

	Total Inventory		Class A (a)		Class B (b)		Class C (c)		Class Undefined	
	Sq.ft.	% Total	Sq.ft.	% Total	Sq.ft.	% Total	Sq.ft.	% Total	Sq.ft.	% Total
Retail										
Total Inventory (sq. ft.)	514,598	100.0%	10,100	2.0%	231,975	45.1%	264,886	51.5%	7,637	1.5%
Number of Buildings	60	100.0%	2	3.3%	16	26.7%	40	66.7%	2	3.3%
Avg. Asking NNN Rent per sq. ft.	$1.25		n.a.		n.a.		n.a.		n.a.	
Available Stock (sq. ft.) (d)	21,084	114.9%	0	0.0%	12,641	60.0%	11,584	54.9%	0	0.0%
Available Buildings	4	100.0%	0	0.0%	1	25.0%	3	75.0%	0	0.0%
Availability Rate	4.1%	n.a.	0.0%	n.a.	5.4%	n.a.	4.4%	n.a.	0.0%	n.a.
Min. and Max. Year Built	1906 - 2008		1977		1956 - 2006		1906 - 2008		1995	
Average Year Built	1973		1977		1985		1964		1995	
Office										
Total Inventory (sq. ft.)	147,030	100.0%	0	0.0%	31,088	21.1%	115,942	78.9%	0	0.0%
Number of Buildings	30	100.0%	0	0.0%	9	30.0%	21	70.0%	0	0.0%
Avg. Asking Gross Rent per sq. ft.	$2.27		n.a.		n.a.		n.a.		n.a.	
Available Stock (sq. ft.) (d)	5,647	100.0%	0	0.0%	0	0.0%	5,647	100.0%	0	0.0%
Available Buildings	4	100.0%	0	0.0%	0	0.0%	4	100.0%	0	0.0%
Availability Rate	4.1%	n.a.	n.a.	n.a.	0.0%	n.a.	4.9%	n.a.	n.a.	n.a.
Min. and Max. Year Built	1938 - 2003		n.a.		1938 - 2001		1948 - 2003		n.a.	
Average Year Built	1975		n.a.		1972		1976		n.a.	
Industrial/Flex										
Total Inventory (sq. ft.)	112,065	100.0%	0	0.0%	16,666	14.9%	95,399	85.1%	0	0.0%
Number of Buildings	17	100.0%	0	0.0%	2	11.8%	15	88.2%	0	0.0%
Avg. Asking NNN Rent per sq. ft.	n.a.		n.a.		n.a.		n.a.		n.a.	
Available Stock (sq. ft.) (d)	3,932	100.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Available Buildings	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Availability Rate	4.1%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Min. and Max. Year Built	1939 - 2009		n.a.		n.a.		1939 - 2009		n.a.	
Average Year Built	1982		n.a.		n.a.		1982		n.a.	

Notes:

(a) In general, a class A building is an extremely desirable investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality/expensive finish and trim, abundant amenities, first rate maintenance and management; usually occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility. They are most eagerly sought by international and national investors willing to pay a premium for quality and are often designed by architects whose names are immediately recognizable. A building meeting these criteria is often considered to be a landmark, either historical, architectural or both. It may have been built within the last 5-10 years, but if it is older, it has been renovated to maintain its status and provide it many amenities. Buildings of this stature can be one-of-a-kind with unique shape and floor plans, notable architectural design, excellent and possibly outstanding location and a definite market presence.

(b) In general, a class B building offers more utilitarian space without special attractions. It will typically have ordinary architectural design and structural features, with average interior finish, systems, and floor plans, adequate systems and overall condition. It will typically not have the abundant amenities and location that a class A building will have. This is generally considered to be more of a speculative investment. The maintenance, management and tenants are average to good, although, Class B buildings are less appealing to tenants and may be deficient in a number of respects including floor plans, condition and facilities. They therefore attract a wide range of users with average rents. They lack prestige and must depend chiefly on lower price to attract tenants and investors. Typical investors are some national but mostly local.

(c) In general, a class C building is a no-frills, older building that offers basic space. The property has below-average maintenance and management, a mixed or low tenant prestige, and inferior elevators and mechanical/electrical systems. As with Class B buildings, they lack prestige and must depend chiefly on lower price to attract tenants and investors.

(d) Available space is defined as the total amount of space available for near-term occupancy, including space that is vacant as well as space that is occupied but which is being actively marketed for lease.

Sources: CoStar, 2019; BAE, 2019.

Lodging Land Use Pattern

Tahoe City, Kings Beach, and Tahoe Vista account for most of the tourist accommodations in the Placer County Tahoe Basin, typically along the highways. The majority of the hotels and motels were built between the 1950s and 1960s, if not earlier. Similar to the area's inventory

of commercial properties, there has been limited redevelopment activity since many of these accommodations were initially constructed. As a result, lodging options in the Placer County Tahoe Basin are significantly substandard compared to the nearby resort communities. As shown in Table 2, the Placer County Tahoe Basin accounts for around 30 percent of hotel rooms in the greater North Tahoe Area (See Appendix B for an illustration of the North Tahoe Area). A quarter of the 20 properties tracked by STR in the Placer County Tahoe Basin are Economy Class. Only two of the properties are Luxury Class. By comparison, over seven out of 16 lodging properties in the remainder of the North Tahoe Area located outside the Basin are considered Luxury Class such as Squaw Valley and Northstar, which are located outside of the Tahoe Basin and, significantly, not subject to the regulations of the Tahoe Area Regional Plan. Only two of the 16 hotels outside of the Basin are considered Economy Class. The Basin's lodging properties tend to be much smaller than those located outside the Basin and tend to have more limited amenities than hotels outside the basin. The generally lower quality of the Basin's hotel stock is reflected in the average nightly room rates, which are significantly lower than the averages outside the Basin.

Table 2: Hotel Market Overview, Placer County Tahoe Basin and North Tahoe Area, 2019

	Placer County Tahoe Basin		North Tahoe Area (a)	
Total Hotels	20		16	
Total Rooms	636		1,462	
Avg. Rooms	*32*		*91*	
Avg. Year Opened	1959		1982	
Avg. Nightly Room Rates	Low	High	Low	High
Single Room	$88	$128	$129	$219
Double Room	$92	$133	$160	$250
Suite	$150	$306	$231	$578
Class Type (b)	**Number Hotels**	**Percent of Total**	**Number of Hotels**	**Percent of Total**
Economy Class	5	25.0%	2	12.5%
Midscale Class	1	5.0%	1	6.3%
Upper Midscale Class	5	25.0%	3	18.8%
Upscale Class	7	35.0%	2	12.5%
Upper Upscale Class	0	0.0%	1	6.3%
Luxury Class	2	10.0%	7	43.8%
Total	**20**	**100%**	**16**	**100%**
Amenities	**Number of Hotels**	**Percent of Total**	**Number of Hotels**	**Percent of Total**
Restaurant	4	20.0%	7	43.8%
Meeting Space	5	25.0%	8	50.0%
Conference Space	0	0.0%	0	0.0%
Convention Space	0	0.0%	1	6.3%
Ski Access (c)	1	5.0%	5	31.3%
Spa	1	5.0%	5	31.3%
Golf	0	0.0%	2	12.5%

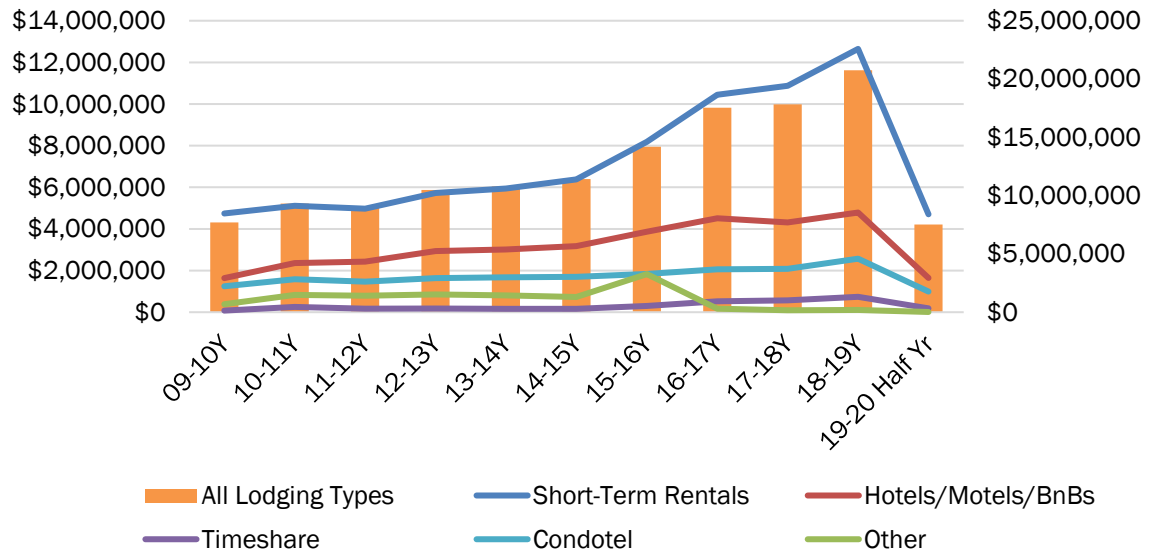
Notes:
(a) See Appendix B for the North Tahoe Area definition. (Includes area in Placer County outside of the TRPA basin, between the basin and the Town of Truckee).
(b) STR categorizes lodging properties according to their quality and amenities, ranging from simple, budget-oriented properties with few services in the Economy Class to Luxury Class properties in prime locations with very high-quality architecture, materials, and amenities; full services, and fine dining onsite.
(c) Includes one hotel in the Tahoe Basin that has access to the Tahoe City Winter Sports Park.

Sources: STR, 2019; BAE, 2019.

Consequently, the majority of visitors to the Placer County Tahoe Basin either drive into the Basin from other areas for day visits or stay overnight in the area's abundance of privately-owned homes that are used for recreational or seasonal use (i.e., vacation homes). These vacation homes are typically occupied on an intermittent basis by second homeowners or rented out on a nightly basis to visitors (i.e., overnight rentals). To further illustrate this, Table 3 shows that short-term rentals account for a significantly larger proportion of Transient

Occupancy Tax (TOT)[2] revenues collected by Placer County in the Tahoe Basin compared to more traditional lodging types such as hotels, motels, and timeshares.

Table 3: TOT Revenues by Lodging Type, 2009-2019



Sources: Placer County, 2019; BAE, 2020

Building Permit Trends 2009-2019

Table 4 illustrates the redevelopment activity that occurred in the Placer County Tahoe Basin in the ten-year period between 2009 and 2019. This includes projects which either resulted in the creation of new floor area or the conversion from one broad land use category to another. As shown in the table, 150 new single-family units including attached and detached units accounted for approximately 86 percent of the 473,039 square feet of newly developed or converted floor area during this ten-year timeframe. While most of these units were constructed in areas zoned for single-family residential development, 17 units were constructed in mixed-use zones in Town or Village Centers. This includes the ten-unit Tahoe Beachfront Residences townhomes in Kings Beach, and six townhomes at 265 Beach Street in Tahoe Vista. Two apartment projects totaling 45 units accounted for another ten percent of the total new or converted floor area in the Placer County Tahoe Basin. This includes 35 new

[2] Transient Occupancy Tax is a tax charged to travelers when they stay overnight in lodging establishments including hotels, motels, timeshares, bed and breakfasts, overnight rentals, and other types of revenue generating lodging. The current TOT rate in the eastern portion of Placer County, which includes the Tahoe Basin, is ten percent of room revenues.

rent-restricted affordable apartments built in Kings Beach[3], and ten units which were created by converting upper level commercial space at the Tahoe Yacht Club in Tahoe City.

Only 11,526 square feet of new commercial floor area was constructed or converted in the Placer County Tahoe Basin between 2009 and 2019. This accounts for just two percent of all new development during this timeframe, with all projects located in Kings Beach or Tahoe City. The largest project was construction of a new flexible industrial building at 8414 Speckled Avenue in Kings Beach, followed by an 1,890 square foot conversion of former school space to commercial space. Roughly 4,600 square feet of all new commercial space was converted from one commercial use to another. In Kings Beach this includes tenant improvements to accommodate Bear Belly Brewing Company at 8428 Trout Avenue, and the aforementioned 1,890 square foot conversion of space previously used for Tahoe Expedition Academy back to the originally constructed design with retail on the ground floor with residential units above, at 8651 Speckled Avenue. In Tahoe City, converted commercial space includes Pete N' Peter's Sports Bar at 395 North Lake Boulevard, and Unique Nail Spa at 243 North Lake Boulevard.

Table 4: Building Permit Trends, Placer County Tahoe Basin 2009-2019

Residential	New Construction	Tenant Improvement Conversion	Total Square Feet
Single-Family	406,367	0	406,367
Duplex	5,194	0	5,194
Apartments	45,660	4,292	49,952
Subotal Square Feet	457,221	4,292	461,513

Commercial	New Construction	Tenant Improvement Conversion	Total Square Feet
Industrial	6,927	0	6,927
Office	0	0	0
Retail		2,550	2,550
Restaurant	0	2,049	2,049
Subotal Square Feet	6,927	4,599	11,526
Total Square Feet	464,148	8,891	473,039

Note:
(a) Represents building permit applications submitted to the Placer County Building Department for projects within the Tahoe Basin which resulted in either new construction or a new land use (i.e., tenant improvement which resulted in conversion from office to retail, industrial to retail, etc.) during the ten-year period between 2009 and 2019. Restaurants are typically considered a form of retail, therefore existing space converted to restaurant listed in the table represents an instance where the previous use was not retail, but another broad land use category.

Source: Placer County, 2019; BAE 2020.

[3] This represents units in one building of the 77-unit Kings Beach Now! project, part of which was built during the 2009-2019 time-frame.

Balanced Resort Community Land Use Pattern

Conversations with local real estate professionals indicate successful resort communities feature high quality lodging in close proximity to recreation and commercial amenities such as restaurants and retail. In 2015, Economic & Planning Systems, Inc. (EPS) published the *Economic Development Incentives for North Lake Tahoe Town Centers* report for Placer County which lists several comparable balanced mountain resort communities that have a significant inventory of quality lodging establishments within close proximity of visitor-serving amenities. Examples of these communities include Jackson Hole, Wyoming, and Mammoth Lakes, California. Jackson Hole, which boasts the Jackson Hole Mountain Resort, Grand Teton National Park, and Yellowstone National Park, has about 3,760 high-quality hotel rooms. Mammoth Lakes, also known for its outdoor recreational activities, has about 2,030 high-quality hotel rooms. Comparably, Kings Beach and Tahoe City have about 300 existing Town Center hotel rooms. As discussed previously, the majority of these units are old and relatively low quality, with some in deteriorating condition.

High-quality lodging products like those found in other resort communities, if implemented in the Town Centers, may allow the local market to open to new consumer segments, thus improving sales per square foot in visitor-serving retail and restaurant segments. According to EPS' analysis, the Town Centers could reasonably target approximately 400 new hotel rooms within the Town Centers through 2035 including replacement of existing hotel stock. These new hotel rooms could generate demand for approximately 20,000 square feet of additional visitor-supported retail (i.e., tourism related retail and restaurant) square footage in the Kings Beach and Tahoe City Town Centers, respectively, for a total of 40,000 square feet.

In addition to the various commercial land use types desired to support the tourism economy, a balanced resort community should also include a range of permanent housing options that are accessible and affordable to the local workforce. EPS notes that after accounting for the projected levels of future residential development (both primary residences and second home owners) anticipated in the 2017 Area Plan and existing gaps in the local resident serving retail, total demand for new local serving commercial space could total around 12,000 square feet in Tahoe City and around 63,000 square feet in Kings Beach. Combined with the anticipated new tourist serving retail, total new commercial space in the Town Centers could total between 75,000 and 100,000 square feet ,recognizing that there may be some overlap between resident- and tourist-serving commercial uses.

Planned Land Use Pattern

The 2017 Area Plan goes a long way towards encouraging the land uses necessary to foster a balanced resort community. The Area Plan, informed by the Kings Beach and Tahoe City Vision Plans, envisions the Town Centers of Tahoe City and Kings Beach redeveloping as vibrant, mixed-use communities which cater to locals and tourists alike while enhancing access to recreational opportunities and protecting the environmental and scenic quality of the region. This vision would be achieved through development of quality lodging facilities with

lakefront access and higher density housing options for the local workforce in close proximity to high quality amenities such as retail and restaurants as well as employment opportunities. These mixed-uses would be interconnected by complete pedestrian infrastructure and active ground floor commercial uses. The plan focuses the majority of new development in Town and Village Centers, while the plan calls for land use patterns in the remainder of the Placer County portion of the Tahoe Basin to remain relatively unchanged.

The most intense development in the Placer County portion of the Basin is planned for the Core areas of the Town Centers, defined by the Regional Plan as areas within the Town Centers where existing development is most compact, sidewalks are typically complete, and public spaces are generally improved. Transition Areas are those areas located within walking distance of the Core Area, but which have lower intensity development patterns, incomplete sidewalk networks, and fewer public spaces. Within the Transition Areas, development projects utilizing Town Center incentives are required to complete sidewalks or multiuse trail connections to the Core Area as a condition of approval. As discussed previously, Village Centers are smaller centrally-located commercial districts where mixed use development is allowed but where development is not eligible for Town Center incentives. For an illustration of the Town Center and Village Center zoning districts, see Appendix C.

Table 5 summarizes some of the key development standards that apply in the Town and Village Centers, which can vary depending on the specific zoning district. It should be noted that the potential for new development to build out to the maximum allowable development standards is often limited by site specific requirements, such as requirements that pertain to various overlay districts, requirements regarding view preservation depending on a site's proximity to Lake Tahoe or other scenic resources, as well as environmental preservation or remediation requirements depending on the presence or proximity to sensitive natural resources. For example, the Area Plan requires that four-story buildings in Town Centers located between Lake Tahoe and State Highways 28 or 89 shall maintain 35 percent of the site as open view corridors of Lake Tahoe, or increase the existing width of open view corridors by ten percent if the site's existing development does not comply with this requirement. Additional site and building design standards required by the Area Plan for mixed-use zoning districts can further act to limit the maximum potential build out of a site. While these standards can help to preserve the environmental and scenic quality of a site and contribute to creating a more interesting building pattern, they can also be very prescriptive and limit the overall buildout capacity and project feasibility.

Table 5: Town and Village Center Development Standards

	Town Centers	Village Centers
Density		
Residential		
Single-Family (du/parcel)	n.a.	n.a.
Multiple Family (du/ac)	15-25	8-15
Tourist Accommodation (units/acre)		
Bed and Breakfasts	40	10
Hotel Motel and Other Transient Units	40	15-40
Timeshare	15-40	10-40
Commercial		
Commercial density is determined by the building envelope allowed by the site development standards outlined in the Site Development Division (Chapters 30 through 39) of the TRPA Code of Ordinances		
Building Height	4 stories/56'	3 stories/46'
Land Coverage	70%	70%

Sources: TRPA Code of Ordinances, 2012; Placer County Tahoe Area Basin Plan, 2017; BAE, 2020.

PROTOYPE FEASIBILITY ANALYSIS

This section of the report analyzes the financial feasibility of four prototype development projects to identify which project types are generally feasible to construct in today's market, and how the supportable residual land values associated with each feasible development type influence the market for land. For prototype projects that do not meet targeted financial feasibility thresholds, the financial models are used to estimate the financing gap (i.e., subsidy requirement) between current conditions and the conditions necessary to make the project feasible. It is important to note that while the pro-forma financial feasibility analysis for prototype projects is generally indicative of the feasibility of developments that are similar to the prototypes, every project is unique and the feasibility findings herein should not be assumed to apply directly to any other project, whose individual cost and revenue structures may vary significantly from those modeled for this study.

The four prototypes analyzed include a mixed-use multifamily rental project with ground floor retail, a for-sale townhome-style condominium project, a limited-service hotel project, and a full-service hybrid hotel and for-sale condominium project (i.e., condotel). In a condotel project condominium units are sold to private owners but the units are returned to the hotel room pool for a certain amount of days throughout the year. The mixed-use residential and hotel prototypes represent project types which are envisioned for the Town and Village Centers but which are not, as of yet, being proposed or built in the Placer County Tahoe Basin. By contrast, the condominium and condotel prototypes represent projects that either have been constructed or currently being proposed but have not yet progressed to construction.

Prototype Formulation

The following prototypes provide a rough estimate of project design, density, and coverage yields associated with the four prototypes. These prototypes were developed in consultation with Placer County staff and are informed by requirements of the TRPA Code of Ordinances and the Tahoe Area Basin Plan, as well as input from real estate development professionals active in the area. These prototypes are based on general assumptions which would allow each project to build out to maximum density and coverage requirements allowed by the Code of Ordinances and Area Plan in Core Town Centers (see

Table 5) given the assumed parcel sizes. As discussed previously, additional site and project specific requirements pertaining to various overlay districts, site and building design, view preservation, environmental remediation, and proximity to natural resources could limit a potential project's ability to build out to these maximum allowable standards.

Prototype 1: Mixed-Use Residential

This first prototype is a three-story mixed-use residential project with ground floor retail on a two-acre site. As envisioned, the project will consist of 50 apartment units - including 20 studios, 20 one-bedroom, and ten two-bedroom units - built to a density of dwelling 25 units per acre. The net leasable residential floor area will total 31,000 square feet. Assuming internal hallways and an elevator, the gross residential floor area would total 35,960 square feet after accounting for a circulation factor of 16 percent. The project will accommodate another 5,000 square feet of ground floor commercial space, including a 2,500 square foot restaurant space and a 2,500 square foot retail space. The commercial space would be built to shell condition. Combined, the total building area equals 40,960 gross square feet.
For multifamily development, the Area Plan requires one parking space per bedroom for the first two bedrooms, and 0.5 parking spaces per additional bedroom. Based on this, the multifamily component of the project requires 60 parking spaces. For retail uses the Area Plan requires 3.33 parking spaces per 1,000 square feet of floor area, resulting in the need for eight spaces to service the retail component of the project. For eating and drinking establishments, the Area Plan requires either ten parking spaces per 1,000 square feet or 0.25 parking spaces per customer seat, whichever is higher. This analysis utilizes the higher parking ratio based on the number of customer seats. Assuming a 1,500 square foot dining area and approximately 15 square feet per customer seat, the proposed restaurant space yields 100 customer seats, resulting in the need for 25 additional parking spaces. In total, the project would require 93 parking spaces to serve the residential and commercial components, which would be provided as surface parking. Assuming 375 square feet per parking space (inclusive of drive aisles), this results in 28,744 square feet of surface parking area.

Given the total building height (i.e., number of stories) and the required surface parking area, the project's total site coverage would amount to 66 percent after adding an additional ten percent of the site area for hardscaping (i.e., walkways, patios, pathways, etc.).

Table 6: Prototype 1 - Mixed-Use Residential Development Summary

Site Size (acre)	2.0
Site Size (sf)	87,120
Res. Density (du/ac)	25
Building Height (stories)	3

Residential

Unit Type	Units	Avg. sf	Leasable Res. Sf
Studios	20	500	10,000
1-Bed	20	650	13,000
2-Bed	10	800	8,000
	50		31,000
		%	sf
Circulation Factor		16%	4,960
Gross Residential Area (sf)			35,960

Commercial

Restaurant	2,500
Retail	2,500
Gross Commercial Area (sf)	5,000
Total Building Area (sf)	**40,960**

Parking (a)

Use	# of Stalls
Residential	60
Restaurant	25
Retail	8
Total Required Parking	93

Parking Configuration	Stalls	Avg. sf	Parking Area (sf)
Surface Parking	93	375	34,997

Coverage

Building Footprint (sf)		13,653
Surface Parking (sf)		34,997
Hard Landscaping (% / sf)	10%	8,712
Total Coverage (sf)		57,362
Coverage Ratio		**66%**

Note:
(a) Based on the following parking ratios defined in the Placer County Tahoe Area Basin Plan:
Multifamily Dwelling: 1 space per bedroom for the first two bedrooms and 0.5 per additional bedroom
General Merchandise Store: 3.33 per 1,000 square feet
Eating or Drinking Place: 1 space per 0.25 customer seats. Assumed 1,500 square feet of dining area and 15 square feet per customer.

Sources: Tahoe Area Basin Plan, 2017; TRPA Code of Ordinances, 2012; Interviews with local developers and real estate professionals; BAE, 2020.

Prototype 2: Condominium

The second prototype is a three-story townhome-style for-sale condominium project, similar to the ten-unit Tahoe Beachfront Residences built at 8303 North Lake Boulevard in King's Beach in 2017. The prototype consists of eighteen 1,500 square foot three-bedroom units on a 0.7 acre site. Given this site size, the 18-unit prototype would be built to the maximum allowable multifamily residential density of 25 units per acre. Based on the required multifamily parking ratio the project would be required to provide 45 parking spaces. Each unit would have 400 square feet of open-air tuck under parking on the ground, which would accommodate two parking spaces each, or 36 parking spaces total. Surface parking would accommodate the remaining nine required spaces. Assuming that the ground floor of each residential unit consists of the tuck under parking and an additional 100 square feet of living space, total building coverage would equal 9,000 square feet. Combined with another 3,375 square feet of surface parking to accommodate the remaining nine parking spaces (assuming 375 square

feet per space including drive aisles), the total site coverage would amount to 51 percent after adding ten percent of the site area for hardscaping (i.e., walkways, patios, pathways, etc.).

Table 7: Prototype 2 - Condominium Development Summary

Site Size (acre)	0.7
Site Size (sf)	30,492
Res. Density (du/ac)	25
Building Height (stories)	3

Residential

Unit Type	Units	Avg. sf	Res. Sf
3-Bed	18	1,500	27,000
Total Building Area (sf)			**27,000**

Parking (a)

Parking Configuration	Stalls	Avg. sf	Parking Area (sf)
Tuck Under Parking	36	200	7,200
Surface Parking	9	375	3,375
Total Required Parking	45		10,575

Coverage

Building Footprint (sf)		9,000
Surface Parking (sf)		3,375
Hard Landscaping (% / sf)	10%	3,049
Total Coverage (sf)		15,424
Coverage Ratio		**51%**

Note:
(a) Based on the following parking ratios defined in the Placer County Tahoe Area Basin Plan:
Multifamily Dwelling: 1 space per bedroom for the first two bedrooms and 0.5 per additional bedroom

Sources: Tahoe Area Basin Plan, 2017; TRPA Code of Ordinances, 2012; Interviews with local developers and real estate professionals; BAE, 2020.

Prototype 3: Limited Service Hotel

The third prototype is a three-story limited service hotel. The project consists of 100 hotel units on 2.5 acres built to the maximum allowable density of 40 units per acre. With an assumed room size of 400 square feet, the building area totals 56,000 square feet after factoring in a circulation factor of 25 percent and another 15 percent for walls and shafts. Parking ratios identified in the Area Plan require hotel developments to provide one parking space per initial hotel bedroom, and then 0.25 parking spaces for every additional bedroom above the initial bedroom. Based on this parking requirement, the project would be required to provide 100 parking spaces. At 375 square feet per space (inclusive of drive aisles) the required parking area would total 37,500 square feet assuming all parking would be accommodated via surface parking. Based on the building height and parking requirements, the project's site coverage would total 62 percent after adding ten percent of the site area for hardscaping (i.e., walkways, patios, pathways, etc.).

Table 8: Prototype 3 - Limited Service Hotel Development Summary

Site Size (acre)	2.5
Site Size (sf)	108,900
Hotel Density (room/ac)	40
Building Height (stories)	3

Hotel

	Keys	Avg. sf	Leasable sf.
Hotel Keys	100	400	40,000
		%	sf.
Circulation Factor		25%	10,000
Walls and Shafts		15%	6,000
Total Building Area (sf)			**56,000**

Parking (a)

Parking Configuration	Stalls	Avg. sf	Parking Area (sf)
Surface Parking	100	375	37,500

Coverage

Building Footprint (sf)		18,667
Surface Parking (sf)		37,500
Hard Landscaping (% / sf)	10%	10,890
Total Coverage (sf)		67,057
Coverage Ratio		**62%**

Note:
(a) Based on the following parking ratios defined in the Placer County Tahoe Area Basin Plan:
Hotel/Motel/Other Transient Unit: 1 space per bedroom and 0.25 per additional room above the initial

Sources: Tahoe Area Basin Plan, 2017; TRPA Code of Ordinances, 2012; Interviews with local developers and real estate professionals; BAE, 2020.

Prototype 4: Full-Service Condotel

The fourth prototype is a four-story full-service hybrid hotel and for-sale condominium project known as a condotel. Condotels consist of traditional hotel rooms and for-sale condominiums which are purchased by private owners who are obligated to return their units to the vacation rental market when not occupied by the owners. Typically unit owners return their units to hotel pool, though some choose to lease their unit through privately manage rentals companies. The prototype consists of a total of 34 traditional hotel rooms and 66 condominium units built to the maximum allowable density of 40 units per acre on a 2.5-acre site. At 400 square feet each, the traditional hotel component would total 18,983 square feet after factoring in 25 percent for circulation and an additional 15 percent for walls and shafts. The condominium portion of the project would feature 23 one-bedroom condominiums averaging 800 square feet each, 33 two-bedroom condominiums averaging 1,050 square feet, and 10 three-bedroom condominiums averaging 1,250 square feet. After factoring in 25 percent for circulation and 15 percent for walls and shafts, the condominium portion of the project would total 91,770 gross square feet. Based on feedback from local hotel developers and industry professionals, the project would also feature a 2,500 square foot restaurant and a 2,500 square foot conference space. These elements are considered essential to marketability of the condominium units and for sustaining necessary occupancy levels.

Based on the parking requirements for hotels and other transient dwellings defined in the Area Plan, the project would be required to provide 146 parking spaces. This includes one parking

space per hotel room and condominium unit, and 0.25 parking spaces per additional bedroom above the initial bedroom in each of the hotel and condominium units. Per the Area Plan, additional parking for the restaurant is provided at a ratio of one space per 1,000 square feet of commercial space over 1,000 square feet, and four parking spaces per 1,000 square feet of meeting or conference area. Of the required parking, 117 parking spaces will be provided in a 43,725 square foot one-story podium structure which will be located on the ground floor of the project, with 10,931 square feet of additional surface parking provided for the remaining spaces. Including the hotel, condominium, restaurant, meeting space, and podium parking, the project building area totals 115,753 square feet. Assuming the parking podium as the maximum building coverage area, with the remaining building square footage distributed above at three stories, the project's total site coverage would amount to 60 percent after adding in the additional surface parking and additional ten percent of the site area for hardscaping (i.e., walkways, patios, pathways, etc.).

Table 9: Prototype 4 - Full Service Condotel Development Summary

Site Size (acre)	2.5
Site Size (sf)	108,900
Hotel Density (room/units/ac)	40
Building Height (stories)	4

Hotel

	Keys	sf	sf.
Hotel Keys	34	400	13,559
		%	sf.
Circulation Factor		25%	3,390
Walls and Shafts		15%	2,034
Gross Hotel Area (sf)			18,983

Condominiums

	Units	Avg. sf	Leasable Res. Sf
1-Bed	23	800	18,400
2-Bed	33	1,050	34,650
3-Bed	10	1,250	12,500
	66		65,550
		%	sf
Circulation Factor		25%	16,388
Walls and Shafts		15%	9,833
Gross Residential Area (sf)			91,770

Hotel Amenities

Conference/Event Space (sf)	2,500
Restaurant (sf)	2,500
Total Amenity Space (sf)	5,000
Total Building Area (sf)	**115,753**

Parking (a)

Use	# of Stalls
Hotel/Condominiums	111
Conference/Event Space	10
Restaurant	25
Total Required Parking	146

Parking Configuration	Stalls	Avg. sf	Parking Area (sf)
Surface Parking	29	375	10,931
Podium Parking	117	375	43,725
Total Required Parking	146		54,656

Coverage

Building Footprint		43,725
Surface Parking		10,931
Hard Landscaping (%/sf)	10%	10,890
Total Coverage (sf)		65,546
Coverage Ratio		**60%**

Note:
(a) Based on the following parking ratios defined in the Placer County Tahoe Area Basin Plan:
Hotel/Motel/Other Transient Unit: 1 space per bedroom and 0.25 per additional room above the initial.
Hotel Meeting/Conference Space: 4 spaces per 1,000 square feet
Eating or Drinking Place: 1 space per 0.25 customer seats. Assumed 1,500 square feet of dining area and 15 square feet per customer.

Sources: Tahoe Area Basin Plan, 2017; TRPA Code of Ordinances, 2012; Interviews with local developers and real estate professionals; BAE, 2020.

Development Cost Assumptions

BAE formulated a set of development costs for each prototype based upon information from a variety of sources including proprietary developer development budgets, research conducted by BAE for other similar projects, and stakeholder interviews. Initially, this analysis utilized relatively conservative cost assumptions (i.e., erring on the side of higher costs) to test project feasibility. For prototypes which were found to be financially infeasible with the more

conservative assumption, this analysis assumed development costs at the lower end of the range that BAE's research yielded in order to model feasibility under a more optimistic scenario. For projects which are financially feasible, this analysis incorporates development costs at the middle to higher end of the range of comparable data collected in order to model the level of feasibility based on higher possible costs.

Land Acquisition: For prototypes which are not financially feasible, this analysis assumes a land acquisition cost of $20 per square foot for a vacant commercial site within a Town Center. This cost is comparable to recent commercial land in contract or sold in the Placer County Tahoe Basin Town Centers, including the Kings Beach Center and the recent sale of the Boatworks shopping mall in Tahoe City. Assuming a vacant site allows for greater comparability of feasibility between the various prototypes; though, as documented elsewhere in the report, very few vacant sites exist within the Town and Village Centers as these areas are generally built out. In instances where the prototype is feasible, the pro forma models calculate the supportable residual land value based on the following cost and revenue assumptions.

Site Preparation Costs: Site preparation costs include costs associated with grading, utility connections, paving and surface parking, and landscaping, among other items. Based on feedback from local developers and real estate professionals active in the Placer County Tahoe Basin, this analysis assumes a site preparation cost of approximately $20 per site square foot. It should be noted that this analysis assumes the site to be vacant and relatively flat. This analysis also assumes that all necessary infrastructure is in place to service the prototypes, though feedback from local PUDs, real estate professionals, and the NTFPD indicate that much of the existing infrastructure, particularly water and sewer infrastructure, may not be adequate to service new development in some areas and significant offsite improvements may also be necessary to facilitate development.

Commodity Acquisition: As discussed earlier in the report, projects must acquire the proper development rights in order to develop. Appendix D summarizes the cost to purchase the necessary development rights for each prototype, assuming the existing site is vacant. These costs are based on a 2019 appraisal of the market value of development rights banked in the California Tahoe Conservancy's land bank. As shown in the appendix, the cost to acquire the necessary Residential Allocations, PRU, CFA and coverage for the residential mixed-use prototype totals $893,445. The cost to acquire the necessary Residential Allocations, PRU, and coverage for the condominium prototype totals $204,156. The cost to acquire the necessary TAUs and coverage for the hotel project totals approximately $1.84 million, while the cost to acquire the necessary TAUs, CFA, and coverage for the condotel prototype totals a little over $2 million. It should be noted that these costs only include the purchase price for each commodity, while other costs (i.e., legal costs) associated with these purchases are captured in the soft cost estimates described below. These costs assume that the necessary commodities are not granted to the prototype projects via the County's incentive program;

thus, the pro-forma analysis presents a conservative evaluation of development costs. As discussed later, granting commodities to catalyst projects can help to improve feasibility; however, granting of commodities alone does not fundamentally change the overall cost structure for projects in the Placer County Tahoe Basin area.

Impact and Development Fees: Impact and development fees vary by use and intensity. Within the Town Centers there are seven entities which collect development fees, including: Placer County, Tahoe Truckee Unified School District, North Tahoe Fire Protection District, Tahoe-Truckee Sanitation Agency, TRPA, and two different PUDs depending on where the project is located. Within Kings Beach the North Tahoe PUD (NTPUD) collects development fees, while the Tahoe City PUD (TCPUD) collects development fees for projects located in Tahoe City. Appendix E summarizes the estimated development impact fees each prototype could be required to pay based on whether or not the project is located in Kings Beach or Tahoe City. In some instances, agencies provided estimates based on the prototypes, and in other instances agency staff assisted BAE with applying published fee schedules to the various prototypes. Some agencies were able to estimate plan check fees, inspection fees, and other fees associated with the staff-time required to review a project. Costs associated with plan check, inspection, and other fees not captured in Appendix D are captured in the soft cost estimate described below. It should be noted that many of these estimates, such as those provided by the PUDs, require more detailed project information than this analysis provides (i.e., the number of fixtures or a site's existing water pressure), therefore these represent estimates based on broad assumptions and agency staff experience with similar projects.

As shown in the Appendix, due to differences in the way the PUDs charge fees total development fees in Kings Beach are typically higher compared to fees collected for a comparable project located in Tahoe City. For example, fees for the mixed-use residential prototype total around $1.54 million in Tahoe City compared to $1.66 million in Kings Beach. Fees for the townhome-style condominium project total around $748,810 in Tahoe City compared to $839,953 in Kings Beach. Fees for the limited-service hotel project total around $1.53 in Tahoe City and $2.1 million in Kings Beach, and fees for the full-service condotel project total around $1.96 million in Tahoe City and $2.5 million in Kings Beach. This variation in fees by location is attributable to the differences in how each PUD assesses its fees. This analysis conservatively assumes the higher overall fee amounts for projects located in Kings Beach will apply to each prototype.

Soft Costs: Soft costs include architecture, engineering, some permit and plan check fees, pre-entitlement costs such as preparation of necessary studies and Environmental Impact Reports, legal costs, permanent financing costs, and miscellaneous developer overhead costs among others. For all four prototypes, soft costs are estimated at 20 percent of hard costs.

Multifamily Hard Construction Costs: This analysis assumes construction costs of $275 per square foot for a low-rise Type III apartment building which is geared towards the local

workforce. Given the lack of new multifamily housing developments in the Tahoe Basin, this estimate is based on costs provided for recent multifamily projects in Truckee, cost estimates assumed in a number of recent studies including the *South Shore Region Housing Needs and Opportunity* report and the *Strategic Assessment for the Potential Development of the Kings Beach Center Property*, as well as BAE's recent experience with multifamily construction costs in the Tahoe Basin.

Retail Shell Hard Construction Costs: Based on feedback from local developers and real estate professionals, this analysis assumes a construction cost of $125 per square foot to construct a commercial shell suitable for retail, with an additional $125 per square foot for tenant improvements.

Restaurant Shell Hard Construction Costs: Based on feedback from local developers and real estate professionals, this analysis assumes a construction cost of $175 per square foot to construct a commercial shell suitable for restaurant use, with an additional cost of $25 per square foot for tenant improvements.[4]

Condominium (Townhome Style) Hard Construction Costs: Based on feedback from local developers and real estate professional, this analysis assumes a cost of $325 per square foot to construct townhome style condominiums. These units are geared towards the luxury market and will contain higher end construction and finishes than rental apartments.

Condominium (Condotel Style) Hard Construction Costs: Based on feedback from local developers and real estate professionals, as well as recently published studies including the *Strategic Assessment for the Potential Development of the Kings Beach Center Property*, this analysis assumes a per square foot construction cost of $375 per square foot for the stacked condominium component of the condotel prototype. These units are geared towards the luxury market and will contain higher end construction and finishes than the component strictly used for guest lodging.

Hotel Hard Construction Costs: Based on feedback from local developers and real estate professionals, as well as recently published studies such including the *Strategic Assessment for the Potential Development of the Kings Beach Center Property,* this analysis assumes a per square foot cost of $340 per square foot to construct hotel units for guest occupancy only. This cost applies to both the limited service hotel prototype and the hotel component of the condotel prototype as the hotel units themselves are likely to be constructed to similar quality. The amenities of the condotel prototype (i.e., restaurant and event space) which are

[4] Actual tenant improvement costs to fully build out a new restaurant space can be expected to exceed $25 per square foot; however, this analysis assumes that the additional cost will be borne directly by the tenant or that the property owner will finance the additional tenant improvement costs and the tenant and property owner will negotiate additional lease payments above the baseline restaurant lease rates assumed for this analysis sufficient to amortize the additional tenant improvement costs above $25 per square foot.

accounted for separately from the hotel hard costs are the project components which increase the quality rating of the condotel hotel prototype.

Podium Parking Hard Construction Costs: Based on BAE's professional experience, this analysis assumes podium parking costs of $50,000 per space for a single-level podium structure over surface parking.

Developer Profit: In addition to receiving a fee to support staff overhead (which is captured in soft costs) developers typically also seek a gross profit margin of around ten percent for for-sale residential projects when testing feasibility using a static pro-forma.

Financing Costs: In terms of construction financing costs, this analysis assumes a 65 percent loan to cost ratio, a 7.5 percent annual interest rate over a 24-month period, an upfront 1.5 percent loan fee, and a 60 percent drawdown factor.

Condominium Marketing Costs: This analysis assumes marketing costs represent three percent of total condominium sales revenues for both the townhome and condotel condominiums.

Commercial Operating Costs: Based on commercial operating costs reported in the *Assessment for the Potential Development of the Kings Beach Center Property* and the *Tahoe City Firehouse Proposal Review, Market, Financial and Impact Analysis*, this analysis assumes an annual commercial operating cost of $1.00 per square foot inclusive of common area maintenance (CAM) costs and real estate taxes for the commercial component of the mixed-use multifamily prototype.

Residential Operating Costs: This analysis assumes an annual residential operating cost of $6,500 per unit for the residential component of the mixed-use multifamily prototype.

Limited Service Hotel Operating Expenses: This analysis assumes the following expense ratios based on estimates published in the STR 2016 Host Almanac for an upscale class property, which is comparable to a limited service hotel. These assumptions were confirmed by local hotel developers and industry professionals:

- Room Expenses – 23.2 percent of room revenues
- Food Costs – 77 percent of food revenues
- Other Operated Department Expenses – 60.9 percent of other operated department revenues
- Undistributed Operating Expenses – 27.3 percent of total hotel revenues. This category includes costs associated with administrative and general expenses, information technology, sales and marketing, franchise fees, operations and maintenance, and utilities.

- Management Fee – 3.4 percent of total hotel revenues
- Replacement Reserved (FF&E) – 2.5 percent of total hotel revenues
- Insurance – 0.9 percent of total hotel revenues

Full-Service Hotel Expenses: This analysis assumes the following expense ratios based on estimates published by STR Host Almanac for an upper upscale class property, which is comparable to a full-service hotel. These assumptions were confirmed by local hotel developers and industry professionals:

- Room Expenses – 25.8 percent of room revenues
- Food Costs – 68.9 percent of food revenues
- Other Operated Department Expenses – 64.8 percent of other operated department revenues
- Undistributed Operating Expenses – 24.4 percent of total hotel revenues. This category includes costs associated with administrative and general expenses, information technology, sales and marketing, franchise fees, and operations and maintenance, and utilities.
- Management Fee – 2.9 percent of total hotel revenues
- Replacement Reserved (FF&E) – 1.9 percent of total hotel revenues
- Insurance – 1.0 percent of total hotel revenues

Full-Service Condominium Rental Expenses: According to local developers and hotel industry professionals consulted for this analysis, most condominium operating expenses are either paid by the individual unit owner or charged to the owner in the form of an HOA fee. When units are returned to the hotel pool and the hotel incurs additional costs associated with operating the unit, the hotel operator deducts 15 percent of revenues generated by the units to cover these expenses.

Full-Service Condominium Food Expenses: Food expenses associated with guests renting condominium units or owners utilizing their units is assumed to be the same as for guests of traditional hotel units (i.e., 68.9 percent of food revenues).

Hotel and Condotel Real Estate Taxes: Based on local property tax rates, this analysis assumes that property taxes equal 1.1 percent of hotel project costs and condotel project costs net of condominium sales revenues.

Development Revenue Assumptions

BAE formulated a set development revenues for each prototype based upon information from a variety of sources including CoStar, STR, proprietary developer development budgets, research completed by BAE for other similar projects, and stakeholder interviews. Initially, this analysis utilized relatively conservative revenue assumptions (i.e., erring on the site of lower revenues) to test project feasibility. For prototypes which were not found to be financially

feasible, this analysis used revenue assumptions based at the higher end of the range found for comparable projects in order to model feasibility under a more optimistic scenario. For projects which were initially found to be financially feasible, this analysis incorporates revenues at the mid- to lower end of the range of comparable data collected in order to model feasibility based on more conservative revenue assumptions.

Multifamily Rental Rates: This analysis assumes a residential rental rate of $2.50 per square foot, which results in monthly rental rates of $1,000 for a studio unit, $1,300 for a one-bedroom unit, and $1,600 for a two-bedroom unit. This per square foot monthly rental rate is comparable to the rental rates reported by CoStar for the newly completed Coburn Crossing apartment project in Truckee, which represents one of the only newly delivered market rate apartment projects in the Tahoe Area.

Commercial Rental Revenues: Feedback from local business owners and real estate professionals indicates that most business owners can afford to pay a total of between $2.50 and $3.50 per square foot for monthly rent and associated rental costs. This analysis assumes the restaurant and retail component of the mixed-use multifamily development could generate $2.50 per square foot per month on a triple net (NNN) basis before common area and maintenance (CAM) and real estate tax payments. The analysis assumes that the tenant would also reimburse 90 percent of the $1.00 per square foot operating costs discussed in the previous subsection back to the property owner.

Commercial Vacancy Rate: Due to potential turn over and perceived challenges in retrofitting built-out space, this analysis assumes a commercial vacancy rate of ten percent at stabilization.

Multifamily Vacancy Rate: Given the pent-up demand for resident-oriented housing in the Placer County Lake Tahoe Basin, this analysis assumes a fairly modest five percent multifamily residential vacancy rate.

Condominium Sales Price: Based on feedback from local developers and real estate professionals, this analysis assumes both the townhome-style and condotel condominiums could garner an average of $600 per square foot in sales revenue. Local real estate professionals indicate that the average per square foot sale price could increase significantly depending on location and views of the lake or other scenic amenities. The assumed sales price per square foot could be considered a conservative estimate for the townhome style condominiums, and an average assumption for the condotel condominiums.

Limited Service Hotel Room Revenues: This analysis assumes that hotel rooms in the limited service hotel prototype will capture an average daily room rate (ADR) of $200. Recognizing that newer hotel product will likely capture higher room revenues than the area's relatively aged existing stock, this assumed rate is slightly higher than the higher end ADRs that STR

reports for upscale class hotel properties in the Placer County Tahoe Basin. According to STR, in 2019 upscale hotels in the Placer County Basin charged a between lows of $79 and $150 per night and highs of $129 to $174 per night for single and double rooms; however these hotel properties ranged from 30 to 80 years in age with no new hotels within the target class built since around 1980. While local hotel developers generally confirmed this assumption, as with condominium sale prices, it should be noted that ADRs can range widely depending on location and views of the lake or other scenic amenities. The ADR used for this analysis does not assume a view premium for the limited service hotel prototype.

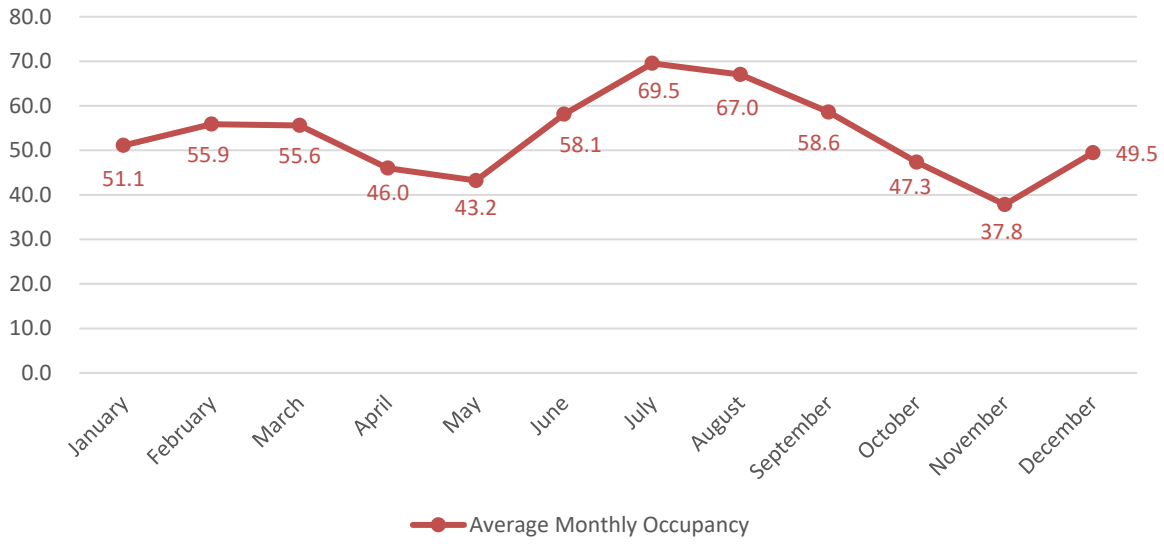
Full-Service Hotel Room Revenues: This analysis assumes that hotel rooms in the full-service condotel prototype will capture an ADR of $250 per night. Once again, recognizing that newer hotel product will likely capture higher room revenues than the area's relatively aged existing stock, this assumed rate is generally higher than ADRs reported by STR for upscale class hotels in the Placer County Basin (discussed above), but below those of the more luxury and resort-oriented hotels outside of the Placer County Basin such as the Ritz-Carlton and Destination Hotels Resort at Squaw Creek. These resort-oriented hotels are able to capture ADRs ranging from between $203 and $249 for single rooms, and $250 to $503 for double rooms due to their proximity to recreational amenities and wider array of on-site amenities such as pools, spas, and meeting and convention space. Once again, while local hotel developers generally confirmed this analysis' assumption, it should be noted that ADRs can range widely depending on location and views of the lake or other scenic amenities. The ADR used for this analysis does not assume a view premium for the full-service hotel prototype.

Full-Service Hotel Condo Rental Revenues: This analysis assumes that condominium units returned to the hotel pool managed by the hotel operator will capture an ADR of $350. This recognizes that these larger units that have more amenities than a traditional hotel room (i.e., kitchens, living rooms, multiple bedrooms, etc.). Once again, while local hotel developers generally confirmed this analysis' assumption, it should be noted that ADRs can range widely depending on depending on location and views of the lake or other scenic amenities. The ADR used for this analysis does not assume a view premium for the full-service hotel prototype.

Hotel Occupancy Rate: According to data published by STR and confirmed by local hotel developers and industry professionals, average annual hotel occupancy in the North Tahoe Area tends to average between 60 and 63 percent. This low average annual occupancy results from the seasonal nature of the Tahoe Basin tourist industry, which tends to peak in the summer months with another smaller peak in the winter months. As shown in Figure 3, hotel occupancy fluctuates significantly, dipping in the spring and fall. In addition to seasonal variations in occupancy, hotel developers and professionals also note that occupancy fluctuates dramatically throughout the week with occupancy typically increasing on weekends and declining mid-week. Because of this mid-week and offseason decline noted above, this analysis assumes an average annual occupancy of 62 percent for the limited service and full-service hotel prototypes. Assuming the limited-service hotel and traditional hotel portion of the

condotel will be open 365 days a year, this occupancy rate results in 7,671 occupied room nights per year

Figure 3: Average Annual Hotel Occupancy, North Tahoe Area, 2018



Sources: STR, 2018; BAE, 2020.

Full-Service Hotel Condominium Occupancy Rate: Because the condominium portion of the condotel represents a more niche product which will likely cater to families traveling for school breaks and extended-stay guests, this analysis assumes a slightly lower occupancy rate compared to the traditional hotel component which caters more to the weekend traveler. Based on feedback from hotel developers and industry professionals, this analysis utilizes an average annual occupancy rate of 58 percent. As part of the Development Agreement for the Tahoe City Lodge, condominium owners are limited to utilizing their units for no more than 90 days per year. Based on the assumed occupancy rate, this results in 3,445 occupied room nights per year.

Limited Service Hotel Revenue Distribution: Based on estimates published by STR's Host Almanac and confirmed by local hotel developers and industry professionals, this analysis assumes the following distribution of limited service hotel revenues by revenue source:

- Room Revenues – 87.2 percent of total revenues
- Food and Beverage Revenues – 8.4 percent of total revenues
- Other Operated Department Revenues – 6.4 percent of total revenues
- Miscellaneous Income – 2.8 percent of total revenues

Full-Service Hotel Revenue Distribution: Based on estimates published by STR's Host Almanac and confirmed by local hotel developers and industry professionals, this analysis assumes the following distribution of full-service hotel revenues by revenue source:

- Room Revenues – 64.0 percent of total revenues
- Food and Beverage Revenues – 29.5 percent of total revenues
- Other Operated Department Revenues – 3.6 percent of total revenues
- Miscellaneous Income – 2.9 percent of total revenues

Full-Service Hotel Condominium Revenue Distribution: This analysis assumes the following distribution of full-service hotel condominium revenues by revenue source. Recognizing that condominium owners and guests may generate food revenues differently than guests in traditional hotel rooms without kitchen facilities, the food revenue distribution assumption is based on a blended ratio which assumes condo owners will generate food revenues at a rate of 50 percent compared to guests in traditional hotel rooms and condo guests will generate food revenues at a rate of 90 percent compared to guests in traditional hotel rooms. The distribution accounts for nights occupied by condo owners who do not generate room revenue but do generate food and other revenues.

- Room Revenues – 60.5 percent of total condominium rental revenues
- Food Revenues - 30.8 percent of total condominium rental revenues
- Other Operated Department Revenues – 4.8 percent of total condominium rental revenues
- Miscellaneous Income – 3.8 percent of total condominium rental revenues

Limited Service Hotel and Condotel Yield on Cost: This analysis assumes a feasible yield on cost (i.e., net operating income divided by total project costs less condominium sales revenues) of 9.5 percent at stabilization. This would provide a two percentage point spread above the 7.5 percent capitalization rate reported by local developers and hotel professionals for sales of lodging properties.

Mixed-Use Multifamily Yield on Cost: This analysis assumes a feasible yield on cost (i.e., net operating income divided by total project costs) of around 6.5 percent at stabilization. This is based on feedback from local developers.

Feasibility Results

The financial feasibility analysis results confirm that undertaking development within the Tahoe Basin is financially challenging and feasible under only the most ideal circumstances. While this analysis provides a baseline assessment of the financial feasibility of developing four different project prototypes within the Tahoe Basin, it is important to recognize that the results are generally indicative of financial feasibility. Actual development projects will face a wide range of individual circumstances that will vary from the assumptions used to analyze the prototype projects. These include conditions relating to the specific property being developed;

the time at which projects are being considered and the market and financial conditions prevailing at the time; the characteristics and financial positioning of the developer; the specific market segments being targeted by the project; and any number of other factors that could affect feasibility. With that said, the following summarizes the broad findings from the financial feasibility analysis of the four project prototypes.

Mixed-Use Multifamily Over Retail

The feasibility analysis indicates that this prototype is not financially feasible under current economic conditions. The estimated 2.4% yield on cost (YOC)[5] falls short of the targeted 7.0% rate by a significant margin. Sensitivity testing indicates that even if rent revenues increase substantially, this project type will face substantial feasibility challenges. For example, increasing the apartment rental rate from the assumed $2.00 per square foot per month, to $4.00 per square foot generates only a 5.8 percent yield on cost, which still falls short of the targeted YOC and also implies rents which would be affordable to only a very small portion of renters with relatively high incomes. There is relatively little that a developer could do to reduce construction costs for a project such as this, which is already assumed to have relatively affordable vertical construction and parking costs. The other alternative to enhance project feasibility would be to examine opportunities for cost reductions for items such as impact fees and commodities costs; however, these have a relatively small impact on project feasibility. For example, even if the pro-forma is modified to include a 25 percent increase in rent, to $2.50 per square foot, coupled with elimination of commodities costs and permit and impact fee costs, the YOC would only reach 3.7 percent.

For-Sale Residential Condominiums

The condominium prototype feasibility analysis indicates that this product type is marginally feasible under current economic conditions. The pro-forma results indicate that a developer could achieve the targeted ten percent profit upon sale of the completed units and support a residual land value of $3.18 per square foot. While $3.18 per square foot is likely well below market prices for land in the area, the residual land value calculation is very sensitive to assumptions about the selling prices of the housing units. If the assumed $600 per square foot condominium selling price rose just 3.7 percent, the project could support a residual land value of $20 per square foot. For a project in a location that afforded good views and a location near desirable amenities, this level of sales price would likely be achievable.

Hotel

The prototype financial feasibility analysis for a limited service hotel project indicates that this product type is not feasible under current economic conditions. The preliminary analysis indicates that the YOC for this product would be 4.7 percent, which is likely well below the YOC that would attract investment in this type of project. Although there is limited information

[5] Yield on cost represents the total net operating income (NOI) divided by the total cost to development the project.

available for benchmarking, BAE estimates that the necessary yield on cost for a new hotel would be 9.0 to 9.5 percent. Sensitivity testing indicates that even with a 25 percent increase in average daily room rate (to $250), elimination of all permit and fee costs and entitlement commodities costs, and an increase of occupancy rate to 75 percent, the project's YOC would still only be 8.2 percent.

Condotel

The preliminary feasibility analysis for the condotel prototype indicates that the project is not feasible under prevailing economic conditions. The project would support a yield on cost of 8.2 percent. This is a substantially improved YOC compared to the conventional hotel project, but still likely short of the returns needed to attract investment in this type of development at this time. There may be some opportunities to value engineer this project prototype to achieve a more feasible result. For example, under the right circumstances, a developer might acquire a large enough site to allow the development of at least a larger portion of the parking as surface parking. This would result a substantial cost reduction that may be sufficient to achieve the necessary YOC. Additionally, because this prototype assumes podium parking, the project finances are particularly sensitive to the impact of parking requirements. If the parking requirements were reduced and this translated into a reduction in the costs to build podium parking, this could also increase the yield on cost sufficiently. Similarly, elimination of entitlement commodities costs would boost the YOC to 8.8 percent. If this was combined with a 20 percent reduction in permit and impact fees, this would support a yield on cost of 9.0 percent, which could start to attract developer and investor interest.

Feasibility Conclusions

There are several takeaways from the preceding prototype feasibility analyses:

- The fundamental relationship between development costs and potential revenues from market rate residential development is such that very substantial interventions will likely be necessary to encourage the development of new market rate apartment units intended for year 'round resident occupancy. It is unlikely that local workforce incomes will rise sufficiently in the foreseeable future to enable local workers to pay the level of rents that would be necessary to justify the apartment construction costs.

- Under the right circumstances, a condominium project could be feasible under current economic conditions; however, this type of development is likely to perpetuate current patterns of high residential vacancy due to the fact that condominium units will not be affordable for most local workforce households, and instead condominium buyers will likely be out of area residents who are purchasing the units to use as vacation homes. As long as condominium units and multifamily rental apartments can be built in the same zoning districts, condominium projects will likely compete more strongly for available sites and set the market price for land at levels that most likely will not be affordable for rental apartment developers.

- High development costs coupled with relatively modest occupancy rates and average daily room rates make traditional limited service hotel development infeasible. Multifamily cost and revenue factors would have to improve by substantial margins for this project type to be feasible. Unlike housing for full-time residents, for which there may be strong public policy reasons to provide subsidies, it may more difficult to justify interventions in the form of regulatory relief and public subsidies that would be necessary to make this project type more feasible.

- Combining the stronger economics of condominium development with the weaker economics of a hotel enhances feasibility for a condotel project versus a traditional hotel project to a level such that, under the right set of project-specific circumstances, this type of project could be feasible in the current economic environment.

It should be acknowledged that none of the development project prototypes involving non-residential space (i.e., retail space in mixed use, and hotel space) analyzed have incorporated costs for employee housing. Strictly enforcing Placer County's employee housing requirements for new non-residential development will further impair financial feasibility. Appendix G contains calculations of the potential employee housing requirements associated with the prototype development projects defined for the pro-forma financial feasibility analysis. As shown, the commercial component of the mixed-use project could generate a requirement to provide housing for 13 employees; the hotel project could be liable to provide housing for 17 employees, and the condotel project could generate a requirement to house 23 employees. The apartment project prototype pro-forma analysis demonstrates that development of multifamily rental units as employee housing would require substantial subsidy, even if rented at market rates, and even deeper subsidy if rented at below-market rates. For example, financial analysis that BAE recently completed for affordable housing development in South Lake Tahoe identified a roughly $235,000 funding gap per apartment unit after accounting for the private debt that could be supported by tenants paying rents to low-income households. If it is assumed that each apartment unit houses two workers, the prototype hotel project would need to provide approximately nine below market-rate apartments, with a total subsidy need of approximately $2.1 million, which would be added to the project costs modeled in the prototype pro-forma analysis.

Given the large feasibility gap identified for multifamily rental apartments, it may be more feasible to try to meet employee housing needs within the Placer County Tahoe Basin by encouraging the development of subsidized affordable rental housing projects, such as the Kings Beach Now! project, which can access public sources of housing subsidy and offer below market rents that would be affordable to a range of local workforce households who struggle to pay market rates for rental housing, if they can find suitable units available to rent.

The pro-forma financial feasibility analyses also did not incorporate costs for offsite infrastructure requirements or significant costs related to onsite environmental remediation. To the extent that regulatory agencies identify project specific needs for offsite or onsite mitigations, this will pose further barriers to financial feasibility.

BARRIERS TO INVESTMENT

Despite efforts on the part of both TRPA and Placer County to incentivize development, there are still a number of barriers that are preventing the build out of the Town and Village Centers in the ways envisioned by the Area Plan. Based on the findings of the above financial feasibility analysis and feedback from organizations, as well as representatives from local regulating agencies such as the NTFPD, the following section outlines some of these key barriers to the desired development identified during the course of this study.

High Cost of Development

The prototype financial feasibility analysis demonstrates that desirable project types, such as hotels, condotels, and mixed-use projects face substantial financial feasibility challenges in the Tahoe Basin environment. While a number of other factors such as complicated regulations and lengthy approvals processes can discourage development and contribute indirectly to development costs, several major components contribute directly to development costs and the resulting feasibility challenges:

High Construction Material and Labor Costs. With hard construction costs accounting for between 50 and 70 percent of the overall cost of development (based on the above analyzed development prototypes), development feasibility is heavily impacted by the cost of construction materials and labor. While costs for construction materials and labor are on the rise nationally, a number of factors unique to the Tahoe Basin contribute to higher construction costs within the region. The Tahoe Basin is remote, with seasonal weather patterns limiting construction periods and the ability to move materials in and out of the Basin. Additionally, snow load requirements increase construction costs as buildings must be engineered to withstand the weight of accumulated snow during the winter months. Finally, the region has a shortage of skilled force to facilitate development, and as such must offer higher wages attract labor from Reno and Sacramento which have a more active development markets and a larger supply of housing affordable to the workforce.

High Cost to Provide Parking. While the Area Plan did decrease parking requirements, given small parcel sizes and restrictive design limitations in the Town Centers, it is still difficult to provide enough parking to satisfy the parking requirements of the Area Plan. The Area Plan set up the framework for a more coordinated effort to address parking, but nothing has been achieved. Particularly for projects that need to use various forms of structured parking, this can increase costs substantially, creating a notable drag on feasibility.

Costly Employee Housing Requirement. The County's requirement that new development provide rent-restricted employee housing for half of the net new employees generated by a completed development project renders many projects financially infeasible.

Challenges to Achieving Economies of Scale. BAE's analysis of parcel data for the Placer County Tahoe Basin Area revealed that the average parcel size is less than one acre. This limits the size of development that can occur on a single property, and prevents developers from achieving economies of scale that can help to overcome some of the other barriers mentioned in this section, such as the long development review and entitlement process, risk of litigation, and design challenges that are complicated by the multiple overlapping sets of regulations. It can be a very costly and time-consuming process for developers to acquire and assemble multiple adjacent parcels to enable project sizes that are necessary to achieve necessary economies of scale.

Need for Public Improvements. Stakeholder, PUD staff, and NTFPD staff indicate that utility infrastructure, particularly water and sewer facilities, can in some cases be insufficient to accommodate new development. Specifically, NTFPD staff indicated that some of the older water supply infrastructure outside of Town Centers is not sufficient to meet fire flow requirements for new development. This can add significant cost to a development project as the developer bears the brunt of the offsite utility upgrades necessary to service the development. In addition, policies call for installation of sidewalks where they do not exist in Village Centers, which can represent an additional expense for private development projects on adjacent properties.

Redevelopment is Often More Costly. In addition to small parcel sizes and the potential need to upgrade older infrastructure, most of the parcels located in the Town Centers and Village Centers that are targeted for new development already have existing development in place. Although much of the existing development is in some level of obsolescence due to the age of most buildings, the presence of existing buildings that are generating some income for the owners means that property acquisition costs will typically be higher than if a comparable parcel were vacant. The higher costs of land with existing buildings further challenges development feasibility.

Restaurants Are Particularly Difficult to Develop. County staff and interviewees often noted that quality restaurants which cater to locals and visitors alike is a particularly desirable use within the Town Centers. In addition to the numerous limitations already described, two specific requirements in particular make restaurants very difficult to develop or redevelop from another use. For example, with parking requirements based on the number of customer seats, restaurants have the highest parking ratio compared to uses of comparable size. Additionally, new restaurants and bars located in Kings Beach are required to pay $521 per seat in sewer connection fees to the North Tahoe PUD, compared to the Tahoe City PUD, which only charges new restaurants $50 per seat for sewer connection fees. These two requirements were cited

often as additional hinderances which contribute to the lack of quality restaurants, particularly in Kings Beach.

Uncertainty, Risk, and Indirect Costs Associated with a Complex Entitlement and Permitting Process

To estimate costs and secure financing, projects need to be able to reasonably estimate the time it will take to move through the entitlement and construction process, as well as the costs associated with various impact fees, permits and other development requirements. The less predictable this process, the greater the risk to undertake a project. The riskier the project, the more likely investors are to invest in either less risky markets, product types which are sure to generate profits (such as luxury single-family or condominiums) or demand higher rates of return to offset the assumed risk. In their *Economic Development Incentives for North Lake Tahoe Town Centers* study completed for Placer County in 2015, Economic and Planning Systems, Inc. (EPS) identified a number of factors which contribute to the lack of investment and redevelopment in Placer County's Town Centers and noted that unless the development process was shortened to a maximum of two years including California Environmental Quality Act (CEQA) analysis, development like the type the County wants to see will remain infeasible. Despite this study and its findings, it appears little progress has been made towards increasing predictability and shortening the entitlement and construction process, as BAE's research has confirmed that many of the process issues identified in EPS's study still persist. Building on EPS's previous study, interviews with local stakeholders resoundingly indicate that the development process in the Placer County Tahoe Basin area is more unpredictable than elsewhere in the Tahoe Basin for a number of reasons which revolve around the complexity of the Tahoe Basin planning environment. Interviewees cited a number of actions that could better facilitate development in the basin, including:

- Build staff expertise in the complexities of processing urban infill and redevelopment projects within the Tahoe Basin and dedicate these experts to processing Tahoe Basin applications
- Ensure communication and information sharing between County departments that must sign off on Tahoe Basin projects, make sure that requirements of different departments do not conflict with one another, and provide for a coordinated approach to plan review, comments, and requests for revisions so that applicants do not need to go through multiple plan review cycles.
- Empower County staff located in the Tahoe City office to make administrative decisions and give applicants guidance on projects; avoid deferring decisions to staff in the Auburn office. Review the delegation of minor project review from TRPA to County staff and ensure that this does not create more, rather than less, back and forth between agencies.
- Improve accessibility and transparency of information regarding required mitigations and impact fees so that developers can easily identify these requirements and factor

them into their project planning from the earliest stages and avoid discovering new requirements late in their planning processes.

- Better integrate the necessary multijurisdictional reviews to help applicants proceed through the entitlement process in a clear, linear, and coordinated fashion that limits subjective and iterative reviews that add to project costs and extend timelines.

Complexity Is Particularly Challenging for Smaller Projects. Interviewees indicate that smaller projects in particular cannot absorb costly environmental remediation or offsite infrastructure upgrade requirements. Smaller redevelopment projects are also typically less savvy in regard to the complex multijurisdictional permitting and review process, and are less able to absorb the cost to hire consultants or legal counsel to navigate the process and acquire the necessary commodities. These smaller projects may require additional assistance beyond that required by larger projects in Town Centers that are the primary focus of the County's North Lake Tahoe Economic Incentive Program.

Litigation of development projects by community and environmental organizations prolongs the development process. According to local stakeholders, the only certainty of development in the Tahoe Basin is litigation. It is the time and cost associated with litigation which is unpredictable and presents a significant challenge to development.

Vehicle Miles Traveled (VMT) Thresholds Limit New Development. Interviewees consistently noted that Vehicle Miles Traveled (VMT) thresholds limit even minor development projects. VMT is a measure of the number of miles driven on roadways in a specified area and period of time. A number of factors influence VMT in the Tahoe Basin, including population, accessibility of housing, gas prices, employment rates, local housing costs, tourism demand and access to alternative forms of transportation. VMT regional thresholds were originally adopted in 1982 to address adverse impacts of nitrate emissions from vehicles on air quality and lake clarity, though in 2013 Senate Bill 743 also adopted VMT as the primary metric for evaluating project specific and plan level greenhouse gas emissions which are a requirement of CEQA analysis. In order to make these findings, a project must complete a traffic analysis to determine the number of new trips the project will generate.

TRPA currently uses an activity-based travel demand model, which contains complex representations of travel behavior, to estimate VMT. Due, in large part, to the influx of daily visitors and workers who commute into the Basin daily, the Tahoe Basin is approaching, or may have surpassed the VMT thresholds. As a result, new development capacity is limited or requires significant often costly mitigation measures in order to comply with the VMT limits. Additionally, in January 2019 the California Attorney General expressed to the TRPA that the agency's existing transportation model insufficiently analyzes regional and project scale VMT and that significant methodological changes would be necessary to comply with Thresholds required by the Bi-State Compact and SB 743. While the TRPA anticipates the VMT Threshold Standard update process will be complete by August 2020, this has created delays for projects

as they await guidance on how to proceed with VMT analysis required by CEQA. Other interviewees note that the development community is closely watching to see how this issue is resolved, as it will have major implications for future development potential.

Due to limitations on construction periods, even minor delays can set a project back up to a year. In addition to winter weather conditions which limit construction, the TRPA Code of Ordinances prohibits all soil disturbances between October 15 and May 1 of each year. This means that even minor issues have the potential to delay projects for up to a year if the project misses the development window.

Complex and Prescriptive Requirements Hinder Project Feasibility

In speaking with stakeholders and developing the prototypes analyzed in the financial feasibility section of this report, it is clear that the multitude of requirements pertaining to site development have the cumulative effect of severely limiting the flexibility to design projects. In turn, this limits the feasibility of projects. This is particularly true of the interaction between very specific building and site design requirements implemented in the Area Plan, minimum parking standards, and coverage limitations. In addition, a fire code requirement that projects include 30-foot setbacks particularly impacts small infill sites on which a 30-foot setback would severely limit the site area available for development. While each of these elements on their own serves a worthy purpose, they are overly restrictive when combined. For example, since podium or structured parking is generally infeasible, projects must dedicate a significant amount of site coverage to surface parking. This alone can limit the use of a site and size of the building footprint, especially for smaller sites which are typical of the Town Centers. Combined with the fact that the Area Plan specifies the location and design of parking areas as well as building placement, massing and modulation, the actual development potential of a site may be significantly limited. Restrictions tend to be highest for sites with premium views which also tend to command higher land costs. Given the reduced development potential, projects may not be able to support these premium land costs.

Detailed and Expensive Plan Sets Required for Pre-Entitlement. Numerous interviewees noted that as a function of the need to screen for compliance with the fine-grained requirements, Placer County requires detailed and costly plan sets early in the pre-entitlement process. The analysis required for this level of detail and the associated plan sets can represent a significant investment considering project approval is not assured.

Local Conditions Not Conducive to Investment

There are a number of current conditions within the Placer County Tahoe Basin area that are not conductive to new development and which can make it more difficult for developers to secure investors and lenders.

Presence of Boarded and Vacant Buildings. Interested parties have noted that the presence of vacant and boarded buildings creates a perception that the area lacks economic vitality and creates a blighting influence on neighboring properties.

Declining Permanent Population. The declining permanent population erodes the base of year 'round market support for retail, restaurants, and services. This, coupled with the seasonality of the tourist population, makes it more challenging for businesses to have strong sales throughout the year, which impairs their ability to support the high rents and/or purchase costs that are necessary to make new commercial development feasible. The loss of permanent residents is associated with transition of the housing stock to use as second homes and short-term rental properties, which increases the cost and limits the availability of housing for local workers who are needed to staff the businesses in the area.

Challenges of a Seasonal Economy. The Lake Tahoe Basin's seasonal economy, with pronounced shoulder seasons in the Spring and Fall when visitation is low, makes the success of tourist-oriented businesses very dependent upon peak vacation and holiday periods, which can be threatened by occurrences of wildfires, lack of sufficient winter snowfall and/or extreme storm events. Without a full twelve months of steady income, it is challenging for businesses to afford rents and/or purchase prices that justify the substantial costs of upgrading existing buildings and/or new construction.

Generally Lower Quality of Existing Commercial Spaces and Hotels. As noted in this report, most of the commercial building stock in the Placer County Tahoe Basin area is relatively old. As such, the commercial spaces tend to command relatively low rents and the lodging establishments garner relatively low room rates. With a limited supply of Class A commercial properties in the area, the lower quality properties tend to define the market and make it difficult for developers to confidently project the income that new, high-quality projects could command, which hinders investment underwriting.

No Major Projects Have Been Delivered Since Adoption of the Area Plan. Although the Area Plan was adopted in 2017, no major projects have been delivered or even begun construction since the Plan's adoption. While the development community seems cautiously optimistic about the potential for the Area Plan to facilitate new development, without catalyst projects there is no proof of concept to signal to the development community that development of anything other than luxury single-family and condominiums is feasible. Supporting new catalyst projects that can help to prove the market for new, high-quality projects can help to spur investment in subsequent projects.

Developers and Lenders Are Becoming More Cautious About a Market Dip. While the current economic cycle is still going strong following the recovery from the 2008 financial crisis, many interviews noted that investors anticipate the market will dip within the next couple of years. As a result, investors are approaching development cautiously and may be more judicious

when it comes to investing in projects perceived to be in marginal locations with limited potential for upside, such as those in the Tahoe Basin.

RECOMMENDATIONS

The prior section has identified a number of barriers to investment in the Placer County Tahoe Basin area, grouped into four broad categories:

- High Cost of Development
- Uncertainty, Risk, and Indirect Costs Associated with a Complex Entitlement and Permitting Process
- Complex and Prescriptive Requirements Hinder Project Feasibility
- Local Conditions Not Conducive to Investment

The following recommendations are structured to address each of these four types of barriers, to better encourage and facilitate development within the Town and Village Centers. The centerpiece of this section is a series of recommendations to modify Placer County's existing North Lake Tahoe Economic Incentive Program aimed at expanding the number of tools available under the program to help catalyst projects overcome high development costs and achieve financial feasibility in the challenging Tahoe Basin development environment. Modifying the incentive program guidelines to provide the County with a robust toolkit to use to help desired projects close the financial gaps facing development projects in the Basin will address a central challenge to moving the types of development envisioned in the County's Tahoe Area Plan to construction; however, there are additional process and regulatory issues and general business environment issues that also discourage development that the County wishes to see in the Basin. Additional recommendations are provided below to mitigate such challenges. If implemented in concert with the modified incentive program, these supporting recommendations can help to create the conditions that will encourage property owners and developers to create proposals and work with the County to forge a package of financial incentives that will help achieve the mutually desirable goals of developments consistent with the Area Plan's vision that appropriately balance risk and returns for public and private capital.

High Cost of Development

North Lake Tahoe Economic Incentive Program Modifications. The County's adopted North Lake Tahoe Economic Incentive Program provides a policy framework already endorsed by the Placer County Board of Supervisors that can provide the basis to help Tahoe Basin projects achieve financial feasibility. The following recommendations are intended to broaden the set of tools available to County staff to use to create economic incentives for catalyst development projects, and smaller scale projects that gain approvals via the Incentive Program, in the Placer County Tahoe Basin area. The objective is to create a menu of options that can be tailored to the specific circumstances of individual projects. If this recommendation is accepted by the Board of Supervisors, BAE and County staff envision that the Board would direct County staff to develop specific program policy and guideline revisions that respond to these recommendations for the Board's consideration and action. County staff will engage

Tahoe Basin development stakeholders to gain their further insights and input as part of the process of developing the program revisions.

Consider formally including the following modifications to the program, which address assistance that may technically be permitted under the existing program language, but which could be more explicitly offered and publicized:

- Establish a formal Transient Occupancy Tax rebate component that incorporates best practices identified from other programs and agreements successfully used in other communities. Rebates would be structured as a percentage of the project-generated TOT that would be rebated to the project owner during the term of the agreement as long as conditions of the agreement are met (e.g., maintain property at a certain standard of quality). The amount of the rebates would be calibrated to address the project financial feasibility gap, up to a specified maximum percentage of the TOT. These rebates could be offered to projects that upgrade existing lodging properties or create new quality lodging options.
- Expand the program to offer a coverage incentives component (e.g., transfer of development rights from publicly-owned properties such as the golf course).
- When appropriate, offer adjacent County-owned land to help developers assemble development sites of sufficient size to achieve economies of scale and to allow efficient site planning
- Continue to bank and use development rights to assist projects.
- Publicize the availability of fee credits/deferrals in certain circumstances
- Designate catalyst projects for priority processing and a single County point of contact to facilitate the entitlements process and help coordinate with other regulatory agencies
- Promote a component to assist commercial projects that do not involve tourist accommodation units, perhaps with a cap on the amount of assistance going to projects that do not include a lodging component as a way to conserve limited resources for lodging projects
- Market the incentive program not only to new development projects but also to projects that would substantially upgrade existing buildings and increase economic activity in the Basin, such as renovation of obsolescent and vacant commercial buildings and upgrading lodging properties to higher classes.

Development Impact Fee Programs. Review development impact fee programs to ensure that impact fees charged for higher density projects in Town Centers and Village Centers reflect the anticipated reductions in demand for public infrastructure associated with compact infill and vertical and horizontal mixed-use development.

Uncertainty, Risk, and Indirect Costs Associated with a Complex Entitlement and Permitting Process

County Process Improvements. There are a number of actions that the County can take to make it easier and more efficient for developers to move through the entitlement and permitting processes:

- The County should work alone, or in concert with other regulating agencies, to hire a solution-oriented development project ombudsperson to act as a singular point person for development projects in the Tahoe Basin and to coordinate the requirements of various regulating agencies
- Consolidate information and make it more accessible to the public (i.e., what fees are charged and how are they calculated)
- Empower County staff in the Tahoe Basin office to make necessary administrative decisions regarding development
- Coordinate and conduct regular interagency training and coordinate to ensure consistent application of regulations

VMT Constraints. Participate in regional strategies to quantify and document VMT and reduce VMT that could provide more "headroom" for new projects to come into the region.

Complex and Prescriptive Requirements Hinder Project Feasibility

Developers and developer representatives interviewed for this study strongly recommended that the County seek out ways to modify the development codes for the Tahoe Basin to increase the opportunity to creatively design projects to best utilize the available development sites:

- Allow for greater flexibility in site and building design to maximize potential development envelopes
- Analyze the potential to further decrease parking requirements within the Town Centers; consider short term relief (interim parking incentives; parking variances) in order to spur catalyst projects (e.g., first 5,000 square feet of new restaurant space in a Town Center or Village Center could receive a specified parking reduction or waiver)
    - Allow for shared parking arrangements and give credit for available on-street parking and/or availability of parking district facilities (see recommendation for creation of parking districts under Conditions Not Conducive to Investment, below) where appropriate
- Work with fire districts to identify opportunities to relax fire code requirements, such as the 30-foot setback requirement, as they apply to developments in the Town Centers and Village Centers, as appropriate, to better facilitate development.
- Identify a streamlined set of "pre-application" materials that applicants can review with County staff and other regulatory representatives and use to confirm that project concepts are viable prior to investing substantial time and expense in preparing detailed plans.

Local Conditions Not Conducive to Investment

The County can take a number of steps to address conditions within the Tahoe Basin area that currently contribute to a business environment that discourages private investments, including:

Support Catalyst Projects. Actively support development of catalyst projects such as the Tahoe City Lodge and Kings Beach Center which, if successful, can demonstrate the viability of development under the new Area Plan and help to enhance the image of the area as a destination and raise the bar for local commercial rents and hotel room rates and occupancy levels.

Use Public Financing Mechanisms to Invest in Community Assets. Prioritize and lead public infrastructure (e.g., sidewalks, stormwater) upgrades rather than require that developers address the issues in a piecemeal fashion at their own expense. Work with public utility districts to address any issues with water and sewer infrastructure. These types of public investments can make targeted areas more desirable for private investment and relieve developers of the need to fund necessary public facilities upgrades out of their private development budgets.

- Aggressively pursue state grant funding that is targeted towards increasing alternative transportation and decreasing auto usage (e.g., complete streets projects) and/or economic development (e.g., Community Development Block Grants) and/or infill and housing (e.g., Strategic Growth Council Infill Infrastructure Grant program) for areas prioritized for new/redevelopment such as Village Centers and Town Centers.
- Explore feasibility of using lighting and landscaping assessment districts, enhanced infrastructure financing districts (EIFD), and other tools to fund and finance public improvements in targeted locations
- Explore strategies to create “parking districts” which can alleviate the need for developers to provide costly on-site parking

Focus Public Investments to Encourage Property Upgrades and New Development. Identify areas where there are concentrations of property in need of reinvestment and seek to establish partnerships to pair investments in public facilities with investments in private property to achieve Area Plan goals. This could also involve identifying funds that could be used to offer low-interest façade improvement loans or other forms of incentives to encourage owners to upgrade the appearance of their properties and attract tenants to vacant spaces.

Address Workforce Housing Needs and Increase the Permanent Resident Base. Recommendations above relating to developing resources and increasing the supply of workforce housing will have the beneficial effects of not only providing housing for the employees of new businesses, but also expanding the year ‘round market support for local businesses, which in turn helps stimulate demand for commercial real estate investment in the Tahoe Basin.

- Support local and regional efforts to increase the supply of housing that is affordable to the local workforce, reducing the need to require that individual commercial development projects shoulder the costs of complying with employee housing requirements.
- Implement a formalized Employee Housing in-lieu fee option that would be paid into the County's Housing Trust Fund, which would then assist experienced affordable housing developers to build and operate regulated below market rate workforce housing in the Tahoe Basin, leveraging additional affordable housing subsidy sources. In addition:
    - Consider adding criteria for waiver of the Employee Housing requirement for projects providing other types of desired community benefits
    - Consider allowing lodging projects to commit to collecting a specified employee housing surcharge in-lieu of up-front provision of employee housing, with proceeds to be directed to the Housing Trust Fund and reserved to fund workforce housing in the Tahoe Basin.
    - Consider adding an "economic development incentive" waiver that is capped at a specific level of new development within a given area
- In conjunction with considering relaxation of employee housing requirements within the Tahoe Basin, continue to work towards broad-based solutions to the shortage of workforce housing, considering options such as:
    - Partnering with one or more affordable housing developers who can secure outside subsidies to develop affordable housing projects in the Placer County Tahoe Basin area, and banking employee housing "credits" that can be offered to incentivize commercial projects that otherwise would be subject to employee housing requirements
    - Expanding the North Lake Tahoe Economic Incentive Program to make below-market rate workforce housing projects eligible to participate based on the critical need for workforce housing to support sustainable economic development
    - Establishing "locals housing" overlay zones to require that housing be used for year 'round occupancy
    - Placing limitations on use of existing housing for short-term rentals
    - Establishing a surcharge on short-term rentals to fund the Housing Trust Fund and offset impacts to the housing stock available for permanent residents (this may also level the playing field somewhat for lodging projects that may continue to be subject to some level of employee housing requirements, with which short term rentals are not required to comply)
    - Requiring permanent residency deed restrictions on new housing receiving County assistance or discretionary land-use approvals and offering permanent residency deed restriction incentives similar to the Vail Indeed program for existing housing units

- Establishing a local parcel tax to fund the Housing Trust Fund

Support Projects and Initiatives That Can Help to Boost Off-Season Tourism. One of the barriers to hotel development in particular as well as other commercial activity in the Tahoe Basin is the relatively low hotel occupancy rates. This is a function of the seasonal pattern that sees substantially reduced visitation outside of the Summer and Winter peak seasons. Supporting efforts by partners such as the North Lake Tahoe Resort Association, Chambers of Commerce, private event promoters, and arts and cultural organizations to bring visitors to the Basin during the Spring and Fall shoulder seasons will help to improve the economics of visitor-serving businesses and make them more capable of supporting the high real estate rents and sales prices that are necessary to justify investments in property upgrades and new construction.

Monitoring and Adjustments

- County staff should continue to monitor development conditions and trends within the Placer County Tahoe Basin region to document how conditions are changing over time and determine if implementation of recommendations is helping to bring about the desired changes in land use patterns and the appropriateness (i.e., need) of continuing to offer certain incentives.
- To the extent that some recommendations may be implemented as "pilot" or test programs, the County should evaluate their use and effectiveness periodically and make adjustments as necessary. Clearly communicating to the development community when a program will be offered for a limited time or until a certain threshold is met can incentivize developers to try to move quickly to take advantage of available assistance.

APPENDIX A: STAKEHOLDERS AND TECHNICAL ASSISTANCE PARTICIPANTS

The following is a list of stakeholders interviewed for this report, as well as Placer County, TRPA, and Public Utilities District staff who provided technical assistance with this analysis.

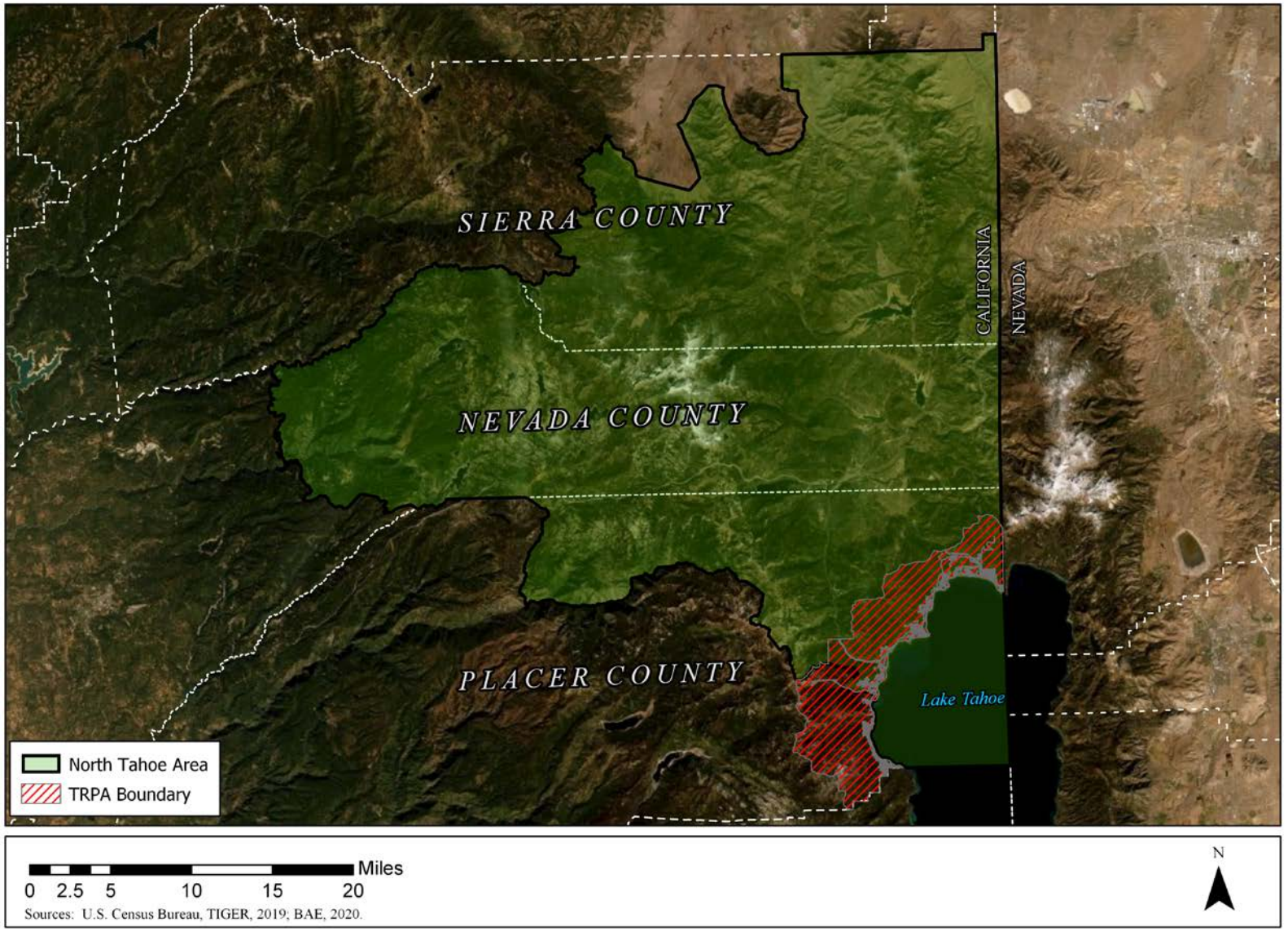
Stakeholders

Alyssa Reilly, North Tahoe Business Association
Andrew Ryan, PR Design and Engineering
Brendan Madigan, Alpenglow Sports
Bonnie Bavetta, North Lake Tahoe Chamber of Commerce
Brian Nelson, Pioneer Cocktail Club
Christian Strobel, Basecamp Motel
Craig Clark, Kings Beach Center
Kylee Bigelow, Tahoe City Business Association
Mike Schwartz, North Tahoe Fire Protection District
Rick McConn, Kings Beach Center
Samir Tuma, Tahoe City Lodge
Steve McNamara, North Tahoe Fire Protection District
Vinton Hawkins, MJD Development
Wyatt Ogilvy, Ogilvy Consulting
Jeremy Orenstein, GLA Morris Construction Company, Inc.

Technical Assistance

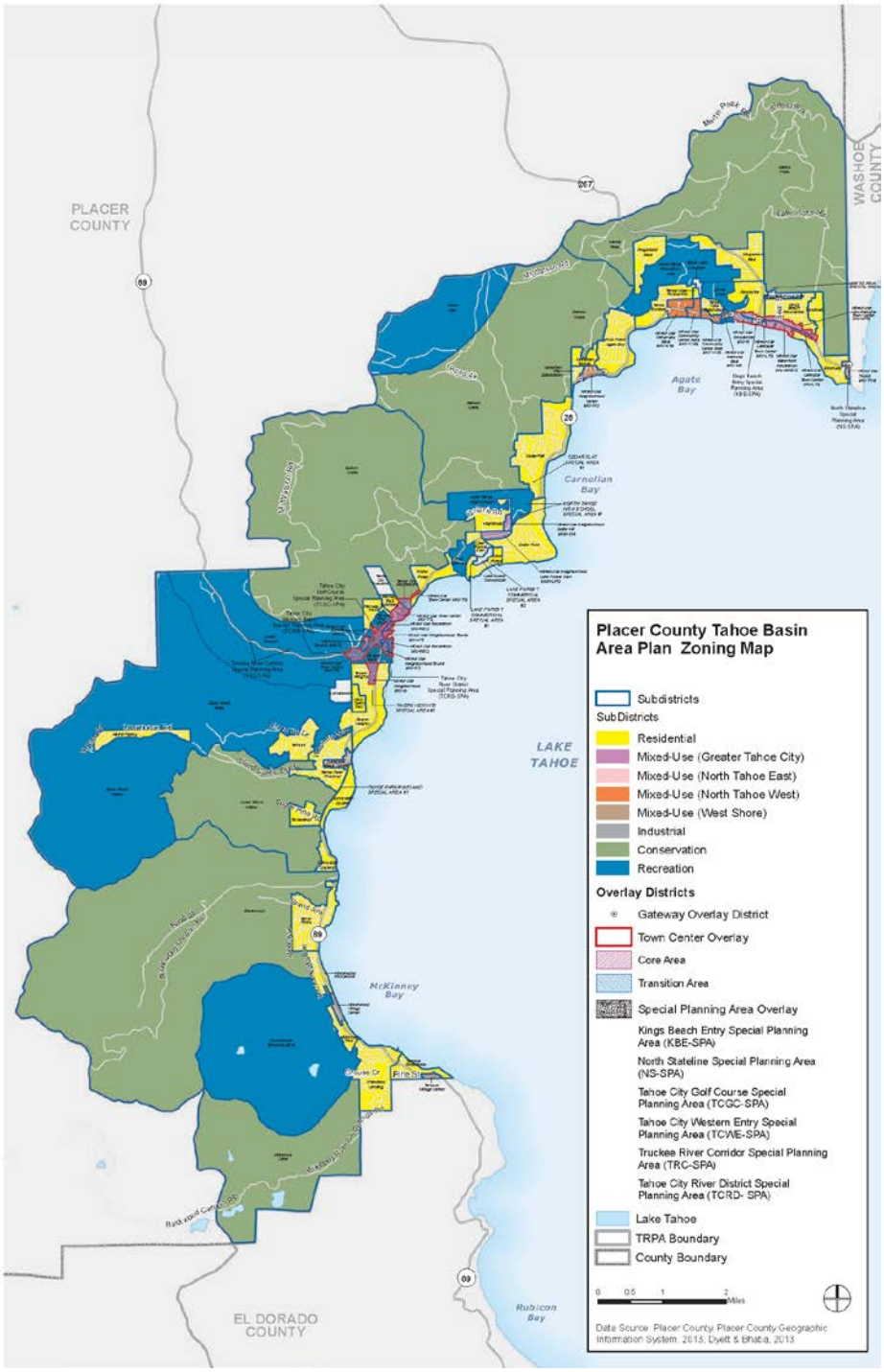
Alyson Borowski, Tahoe Regional Planning Agency
Amber Conboy, Placer County
Catherine Donovan, Placer County
Cindy Cole, Placer County
Emily Setzer, Placer County
Eric Simonson, Placer County
Maurice Robinson, Maurice Robinson and Associates, LLC
North Tahoe PUD
Ted Rel, Placer County
Truckee Tahoe Sanitation Agency

APPENDIX B: NORTH TAHOE AREA DEFINTION



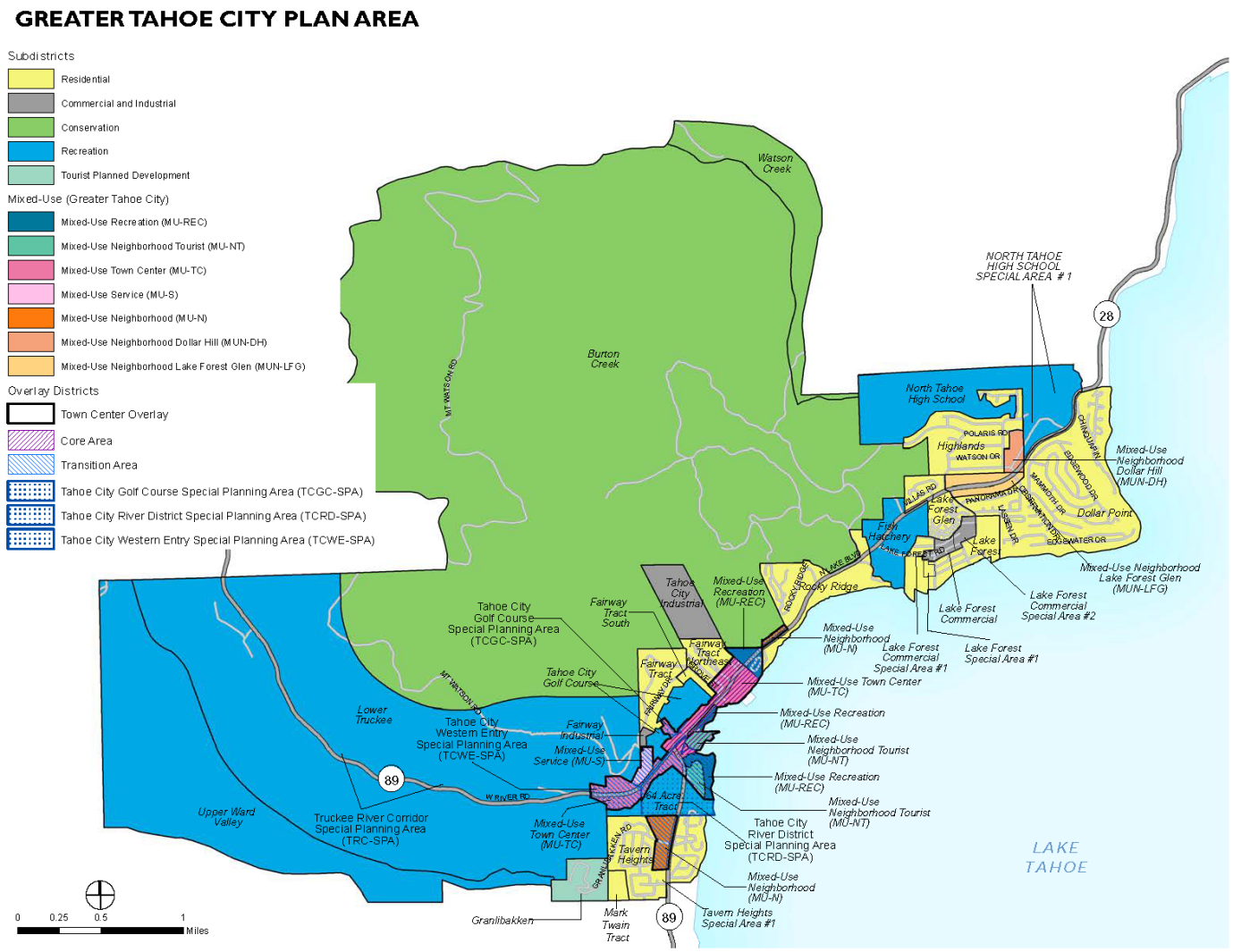
APPENDIX C: PLACER COUNTY TAHOE BASIN AREA PLAN ZONING MAPS

Appendix C-1: Placer County Tahoe Basin Area Plan Zoning



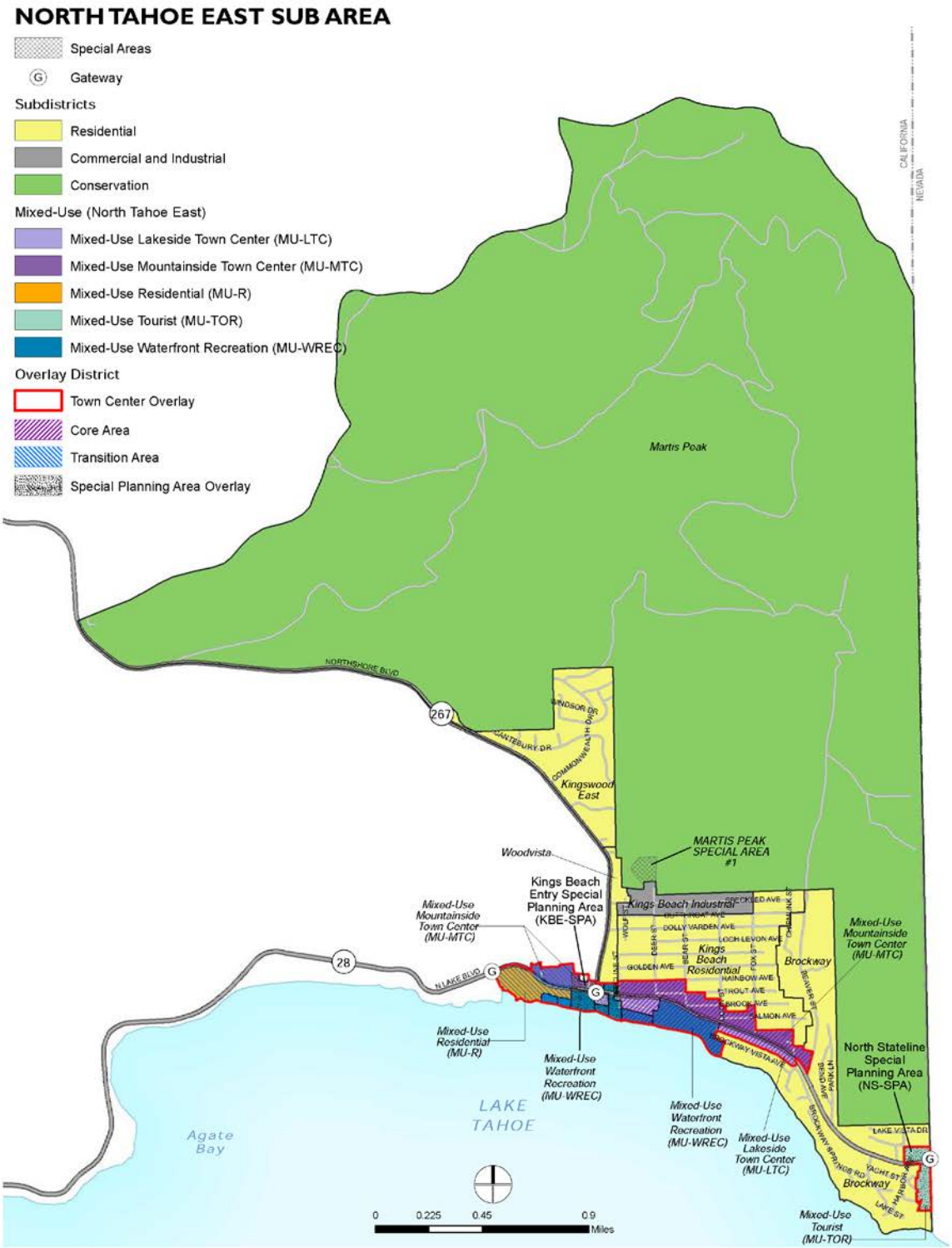
Source: Placer County Tahoe Basin Area Plan, 2017.

Appendix C-2: Greater Tahoe City Zoning



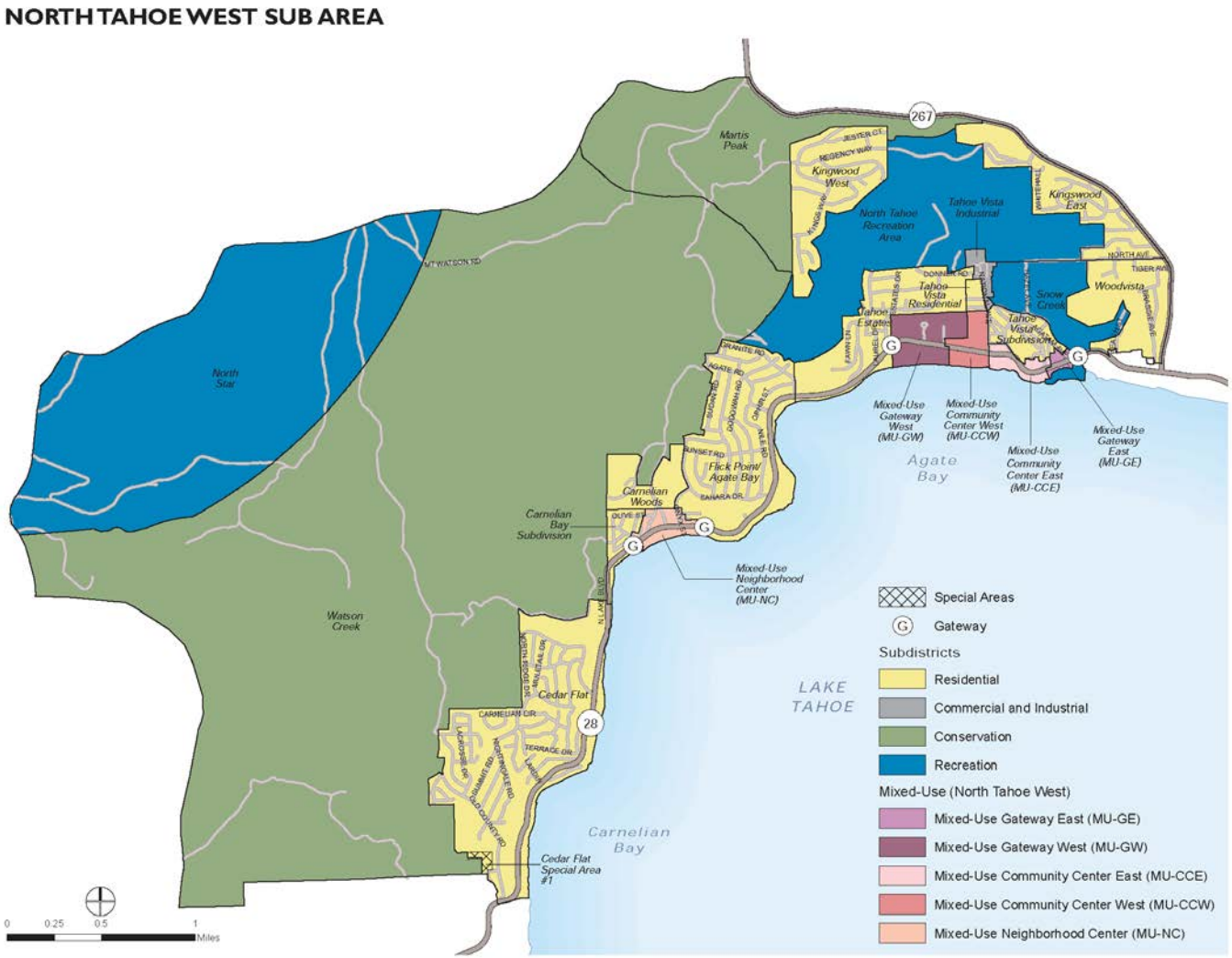
Source: Placer County Tahoe Basin Area Plan, 2017.

Appendix C-3: North Tahoe East Zoning



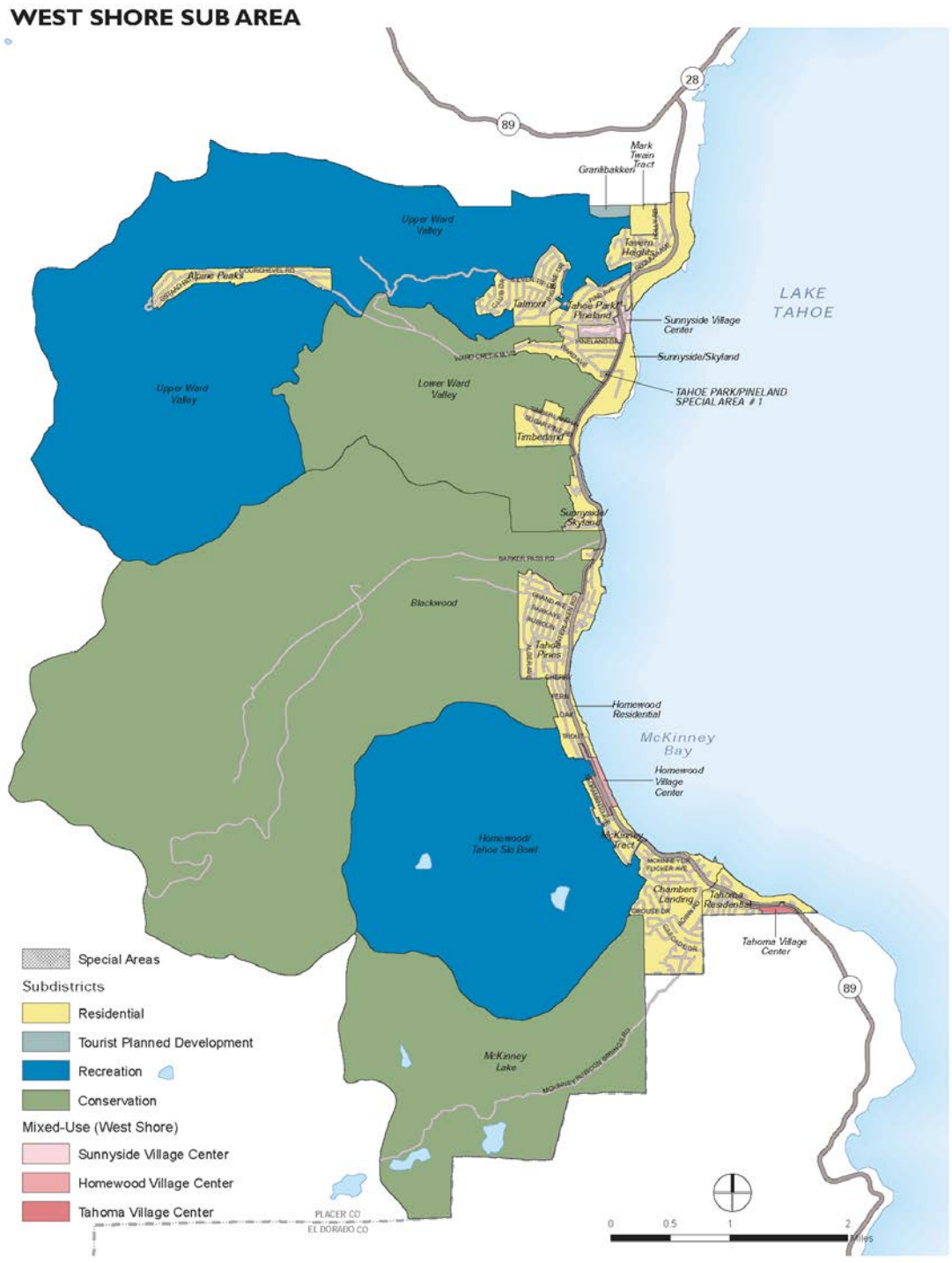
Source: Placer County Tahoe Basin Area Plan, 2017.

Appendix C-4: North Tahoe West Zoning



Source: Placer County Tahoe Basin Area Plan, 2017.

Appendix C-5: West Shore Zoning



Source: Placer County Tahoe Basin Area Plan, 2017.

APPENDIX D: DEVELOPMENT RIGHTS ACQUISITIONS COSTS

Land Use Commodity	Cost		Residential Mixed-Use	Condo	Hotel	Condotel
Residential Allocation	$355.00	per unit	$17,750	$6,390	n.a.	n.a.
Class 4-7 and High IPES (a)	$10.00	per sf	$312,262	$62,766	$343,867	$328,763
Potential Residential Units of Use, CA Portion of the Lake Tahoe Basin	$7,500.00	each	$375,000	$135,000	n.a.	n.a.
Tourist Accommodation Unit, CA Portion of the Lake Tahoe Basin	$15,000.00	each	n.a.	n.a.	$1,500,000	$1,500,000
Commercial Floor Area, CA Portion of the Lake Tahoe Basin	$35.00	per sf	$175,000	n.a.	n.a.	$175,000
Total Commodity Cost			**$880,012**	**$204,156**	**$1,843,867**	**$2,003,763**

Note:
(a) Applies to Class 4-7 land with High IPES scores in McKinney Bay, Tahoe City, Agate Bay, CA and Emerald Bay Hydrological Areas

Sources: California Tahoe Conservancy, 2019. BAE, 2020.

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APPENDIX E: DEVELOPMENT PROTOTYPE IMPACT AND DEVELOPMENT FEES

			Hotel	Condo	Condotel (a)	Residential Mixed-Use (b)
Placer County						
Traffic Fee			$296,480	$76,378	$296,480	$168,640
Park Fee			n.a.	$86,130	$296,480	$174,000
Facility Fee - Residential			n.a.	$79,686	n.a.	$14,725
Facility Fee - Commercial			$46,345	n.a.	$46,345	$161,335
Other Building Permit Fees			$57,268	$64,874	$57,268	$48,826
Subtotal Fees			**$400,093**	**$307,068**	**$630,127**	**$567,526**
Tahoe Truckee Unified School District						
Residential	$3.69	per sf of living area	n.a.	$99,630	n.a.	$114,390
Commercial	$0.61	per sf	n.a.	n.a.	n.a.	$3,050
Restaurant	$0.59	per sf	n.a.	n.a.	$1,475	n.a.
Lodging	$0.26	per sf	$14,560	n.a.	$5,586	n.a.
Subtotal Fees			**$14,560**	**$99,630**	**$7,061**	**$117,440**
North Tahoe Fire Protection District						
Residential	$1.24	per sf	n.a.	$33,480	n.a.	$49,588
Commercial	$0.84	per sf	$47,040	n.a.	$97,233	$4,200
Subtotal Fees			**$47,040**	**$33,480**	**$97,233**	**$53,788**
Tahoe City PUD						
Sewer Connection Fees						
Residential	$1,000.00	per unit	n.a.	$18,000	n.a.	$50,000
Seating (Inside)(c)	$50.00	per seat	n.a.	n.a.	$5,000	n.a.
Hotel w / Kitchen	$395.00	per unit	n.a.	n.a.	$26,110	n.a.
Hotel w /o kitchen	$250.00	per unit	$25,000	n.a.	$8,475	n.a.
Subtotal Fees			**$25,000**	**$18,000**	**$39,585**	**$50,000**
Water Connection Fees						
2" Domestic	$9,600.00	per project	$9,600	$9,600	$9,600	$9,600
8" Fire	$1,200.00	per project	$1,200	$1,200	$1,200	$1,200
Plan Check Fees	$1,000.00	per project	$1,000	$1,000	$1,000	$1,000
Subtotal Fees			**$11,800**	**$11,800**	**$11,800**	**$11,800**
North Tahoe PUD						
Sewer Connection Fees						
Base Charge	$1,590	living unit	n.a.	$28,620	n.a.	$79,500
Per residential sf	$1.86	per sf	n.a.	$50,220	n.a.	$57,660
Motel or Hotel w ith or w /o kitchen	$5,305	per unit	$530,500	n.a.	$530,500	n.a.
Restaurant and Bars (c)	$521	per seat	n.a.	n.a.	$52,100	n.a.
Subtotal Fees			**$530,500**	**$78,840**	**$582,600**	**$137,160**
Water Connection Fees						
2" Domestic	$26,739	per parcel	$26,739	$26,739	$26,739	$26,739
4" Fire	$6,397	per parcel	$6,397	$6,397	$6,397	$6,397
Tap 4"	$1,587	per parcel	$1,587	$1,587	$1,587	$1,587
Meter installation fee Domestic 2"	$5,594	per parcel	$5,594	$5,594	$5,594	$5,594
Plan Check Fees	$1,786	Total	$1,786	$1,786	$1,786	$1,786
Subtotal Fees			**$42,103**	**$42,103**	**$42,103**	**$42,103**
Tahoe-Truckee Sanitation Agency						
Base charge for dw elling unit	$1,500	per unit	n.a.	$27,000	n.a.	$75,000
Square feet of living area	$1.75	per sf of living area	n.a.	$47,250	n.a.	$54,250
Motel or Hotel Unit	$2,500	per unit	$250,000	n.a.	$84,746	n.a.
Motel or Hotel Unit w ith Kitchen	$3,300	per unit	n.a.	n.a.	$218,136	n.a.
Restaurant or Bar (c)	$500	per inside seat	n.a.	n.a.	$50,000	n.a.
Plan Check Fees	Wrapped into PUD Plan Check fe		n.a.	n.a.	n.a.	n.a.
Subtotal Fees			**$250,000**	**$74,250**	**$352,881**	**$129,250**

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TRPA						
Filing Fees						
Governing Board Review Multiplier	1.8					
Special Planning Area Multiplier	1.25					
Multifamily Dwelling Unit Base Fee (d)	$2,860	per unit	n.a.	$115,830	n.a.	$321,750
Multifamily Dwelling Unit Fee (d)	$52	per unit	n.a.	$2,106	n.a.	$5,850
Multifamily Shoreland Scenic Review Fee	$520	Flat Fee	$520	$520	$520	$520
Multifamily Stormwater Fee	$125	Flat Fee	n.a.	$125	n.a.	$125
Multifamily I.T. Surcharge Fee	$114	Flat Fee	n.a.	$114	n.a.	$114
Hotel Base Fee (d)	$2,184	per unit	$491,400	n.a.	$491,400	n.a.
Hotel Fee (d)	$39	per unit	$8,775	n.a.	$8,775	n.a.
Hotel Shoreland Scenic Review Fee	$520	Flat Fee	$520	$520	$520	$520
Hotel Stormwater Fee	$125	Flat Fee	$125	n.a.	$125	n.a.
Hotel I.T. Surcharge	$114	Flat Fee	$114	n.a.	$114	n.a.
Commercial Base Fee (d)	$4	per sf	n.a.	n.a.	$22,500	$45,000
Commercial Shoreland Scenic Review Fee	$520	Flat Fee	$520	$520	$520	$520
Commercial Stormwater Fee	$125	Flat Fee	n.a.	n.a.	$125	$125
Commercial I.T. Surcharge	$114	Flat Fee	n.a.	n.a.	$114	$114
Subtotal Fees			**$501,974**	**$119,735**	**$524,713**	**$374,638**
Impact Fees						
Water Quality Mitigation Fee (e)	$1.86	per sf of base allowable coverage	$60,766	$17,015	$60,766	$48,613
Offsite Coverage Mitigation Fee (f)	$8.50	per sf	$32,786	$9,180	$32,786	$26,229
Air Quality Mitigation Fee						
Residential	$3,258.48	per unit		$58,653		$162,924
Commercial (g)						
Tourist Accommodation (h)	$325.84	daily vehicle trip	$192,767		$192,767	
Commercial Floor Area	$36.20	daily vehicle trip			$9,412	
Subtotal Fees			**$286,319**	**$84,847**	**$295,731**	**$237,766**
Tahoe City			**$1,536,785**	**$748,810**	**$1,959,130**	**$1,542,207**
Kings Beach			**$2,072,589**	**$839,953**	**$2,532,448**	**$1,659,671**

Notes:
(a) Assumes commercial or hotel fees (as applicable by the charging agency) will apply to the condo units since they will be used as hotel rooms the majority of the year based on the annual 90 day limit on owner use.
(b) Defers fees related to specific commercial uses. To be paid by future tenant following tenant improvements.
(c) Assumes 1,500 square feet of dining area and 15 square feet per customer for the condotel restaurant.
(d) Apply the Governing Board and Special Planning Area Multipliers.
(e) Assumes maximum base allowable coverage of site is 30 percent.
(f) Assumes offsite coverage equals 3.5 percent of site area.
(g) Commercial Air Quality Mitigation Fees based on vehicle trip generation rates, as follows:
Hotel: 10.2 per occupied room
Quality Restaurant: 2.6 per seat
(h) Assumed average annual occupancy rate: 58.0 percent

Sources: Fee schedules, estimates provided by various agencies, and conversations with various agency staff; BAE, 2020.

APPENDIX F: FINANCIAL FEASIBILITY PRO FORMAS

Appendix F-1: Residential Mixed-Use Pro-Forma

Development Program Assumptions			
Lot Size (acres/sf)		2.0	87,120
Total Building Area (sf)			40,960
Multifamily Residential			
	# of	Avg.	Leasable
Residential Unit Type	Units	sf	Res. sf
Studios	*20*	500	10,000
1-Bed	*20*	650	13,000
2-Bed	*10*	800	8,000
Total	50		31,000
		%	sf
Circulation		16%	4,960
Residential Gross Area (sf)			35,960
Commercial			
Retail (sf)			2,500
Restaurant			2,500
Circulation Factor			0%
Comm'l Gross Area (sf)			5,000
Parking			
	#	Avg	Total
Parking Configuration (b)	Stalls	sf	Parking sf
Surface Parking (Residential)	60	375	22,500
Surface Parking (Commercial)	33	375	12,497
Total Required Parking	93		34,997

Cost and Income Assumptions	
Land Acquisition (per site sf)	$20
Construction	
Site Preparation Costs (per site sf) (c)	$20
Residential Hard Costs (per sf)	$275
Retail Hard Costs (d)	$125
Restaurant Hard Costs (d)	$175
Soft Cost, (% of Hard Costs)	20%
Operations	
Residential	
Average Rental Rate (per sf/mo)	$2.00
Annual Op. Cost (per du)	$6,500
Vacancy Rate	5%
Commercial	
Average Rental Rate (per sf NNN)	$2.00
Annual Op. Cost (per sf)(e)	$1.00
Vacancy Rate	10%
Financing	
Loan to Cost Ratio	65%
Initial Construction Loan Fee (points)	1.5%
Interest Rate	7.50%
Period of Initial Loan (Months)	24
Draw down Factor	60%
Total Hard + Soft Costs + Land	$18,259,751
Total Loan Amount	$11,868,838

Development Cost Analysis	
Land Acquisition Costs	**$1,742,400**
Entitlement Commodities Cost (f)	**$880,012**
Construction Costs	
Site Prep Costs	$1,742,400
Residential Hard Costs	$9,889,000
Retail Hard Costs	$312,500
Restaurant Hard Costs	$437,500
Permit and Impact Fees (g)	$1,659,671
Soft Costs	$2,476,280
Subtotal Construction Costs	**$16,517,351**
Financing Costs	
Interest on Construction Loan	$1,068,195
Points on Construction Loan	$178,033
Subtotal Financing Costs	**$1,246,228**
Total Project Costs	**$20,385,991**

Residual Land Value Analysis	
Residential	
Gross Scheduled Residential Rents	$744,000
Less Vacancy	($37,200)
Less Operating Expenses	($325,000)
Residential Net Operating Income (NOI)	**$381,800**
Commercial	
Gross Scheduled Comm'l Rents	$120,000
Less Vacancy	($12,000)
Less Operating Expenses	($60,000)
Plus CAM Reimbursables (h)	$54,000
Comm'l Net Operating Income (NOI)	**$102,000**
Yield On Cost	**2.4%**

Notes:

(a) Assumes three stories of residential over ground floor retail and podium parking for the residential component. Parking for the commercial component provided as surface parking.

(b) Parking Ratios:

Multifamily Dwelling	1 per bedroom for the first two bedrooms and 0.5 per additional bedroom.
General Merchandise Store	3.33 per 1,000 sf.

(c) Includes surface parking costs.

(d) Reflects the cost to build to shell condition.

(e) Includes common area maintenance (CAMs) and real estate taxes.

(f) See Appendix D for entitlement commodities cost calculations.

(g) See Appendix E for impact and permit fee calculations. Assumes commercial portion built as shell with additional fees relates to specific use deferred to the future tenant.

(h) Based on triple net (NNN) rents property owners are reimbursed for CAMs and real estate taxes. This calculation takes into account the assumed average vacancy.

Source: BAE, 2020.

Appendix F-2: Condominium Pro-Forma

Development Program Assumptions			
Lot Size (acres/sf)		0.7	30,492
	# of	Avg.	
Residential Unit Type	Units	sf	Res. sf
3-Bed	18	1,500	27,000
Residential Gross Area (sf)	18		27,000
	#	Avg	Total
Parking Configuration (a)	Stalls	sf	Parking sf
Tuck Under Parking	36	200	7,200
Surface Parking	9	375	3,375
Total Required Parking	45		10,575

Cost and Income Assumptions	
Construction	
Site Preparation Costs (per site sf) (c)	$20
Residential Hard Costs (per sf)	$350
Soft Cost, (% of Hard Costs)	20%
Operations	
Sale Price (per sf)	$600
Marketing Costs as a % of Sale Price	3%
Financing	
Loan to Cost Ratio	65%
Initial Construction Loan Fee (points)	1.5%
Interest Rate	7.50%
Period of Initial Loan (Months)	24
Draw down Factor	60%
Total Hard + Soft Costs	$12,911,761
Total Loan Amount	$8,392,645
Developer Profit (% of Sales Revenue)	10%

Development Cost Analysis	
Entitlement Commodities Cost	**$204,156**
Construction Costs	
Site Prep Costs	$609,840
Residential Hard Costs	$9,450,000
Permit and Impact Fees (e)	$839,953
Soft Costs	$2,011,968
Subtotal Construction Costs	**$12,911,761**
Financing Costs	
Interest on Construction Loan	$755,338
Points on Construction Loan	$125,890
Subtotal Financing Costs	**$881,228**
Total Project Costs	**$13,997,145**

Residual Land Value Analysis	
Residential Sales Revenue	$16,200,000
Less Marketing Costs	($486,000)
Total Project Value	**$15,714,000**
Less Total Project Costs	($13,997,145)
Less Developer Profit	($1,620,000)
Residual Land Value	**$96,855**
Value per Acre	$138,365
Value per sf	$3.18

Notes:

(a) Parking Ratios:

Multifamily Dwelling 1 per bedroom for the first two bedrooms and 0.5 per additional bedroom.

(b) Represents the residual land value that a developer could afford to pay.

(c) Includes surface parking costs.

(d) See Appendix D for entitlement commodities cost calculations.

(e) See Appendix E for impact and permit fee calculations.

Source: BAE, 2020.

Appendix F-3: Limited Service Hotel Pro-Forma

Development Program Assumptions			
Lot Size (acres/sf)		2.5	108,900
Building			
	# of Keys	Avg. sf	Total sf
Hotel Room Characteristics	100	400	40,000
		%	sf
Circulation		25%	10,000
Walls and Shafts		15%	6,000
Hotel Gross Area			56,000
	#	Avg	Total
Parking Configuration (a)	Stalls	sf	Parking sf
Surface Parking	100	375	37,500
Operations			
Days Open per Year			365
Available Room Nights			36,500
Average Annual Occupancy			62.0%
Occupied Room Nights			22,630

Cost and Income Assumptions	
Land Acquisition (per site sf)	$20
Construction	
Site Preparation Costs (per site sf) (b)	$20
Hotel Hard Costs (per sq. ft.)	$340
Soft Cost, (% of Hard Costs)	20%
Revenues	
Average Daily Room Rate (per night)	$200
Room Revenues (% Total Rev.)	87.2%
Food and Beverage Revenues (% of Total Rev.)	8.4%
Other Operated Department Revnue (% of Total Rev.)	6.4%
Miscelaneous Income (% of Total Rev.)	2.8%
Expenses	
Room Expenses (% of Room Revenues)	23.3%
Food Costs (% of Food Revenues)	77.0%
Other Operated Department Expenses	60.9%
Undistributed Operating Expenses (% of Total Rev.)(c)	27.3%
Management Fee (% of Total Rev.)	3.4%
Replacement Reserves (FF&E) (% of Total Hotel Rev.)	2.5%
Insurance (% Total Hotel Rev.)	0.9%
Real Estate Taxes (% of Project Costs Net Sales Rev.)	1.1%
Financing	
Loan to Cost Ratio	65%
Initial Construction Loan Fee (points)	1.5%
Interest Rate	7.50%
Period of Initial Loan (Months)	24
Draw dow n Factor	60%
Total Hard + Soft Costs + Land	$29,712,189
Total Loan Amount	$19,312,923

Development Cost Analysis	
Land Acquisition Costs	**$2,178,000**
Entitlement Commodities Cost (d)	**$1,843,867**
Construction Costs	
Site Prep Costs	$2,178,000
Hotel Hard Costs	$19,040,000
Permit and Impact Fees (e)	$2,072,589
Soft Costs	$4,243,600
Subtotal Construction Costs	**$27,534,189**
Financing Costs	
Interest on Construction Loan	$1,738,163
Points on Construction Loan	$289,694
Subtotal Financing Costs	**$2,027,857**
Total Project Costs	**$33,583,912**

Residual Land Value Analysis	
Revenues	
Room Revenues	$4,526,000
Food and Beverage Revenues	$434,543
Other Operated Department Revenues	$332,228
Miscelaneous Income	$142,772
Total Revenues	**$5,187,945**
Expenses	
Room Expenses	($1,054,682)
Food Costs	($334,622)
Other Operated Department Expenses	($90,853)
Undistributed Operating Expenses (d)	($1,418,725)
Management Fee	($174,631)
Replacement Reserves	($131,447)
Insurance Costs	($45,526)
Real Estate Taxes	($369,423)
Total Expenses	($3,619,909)
Net Operating Income (NOI)	**$1,568,036**
Yield On Cost	**4.7%**

Notes:

(a) Parking Ratios:

Hotel/Motel 1 per bedroom and 0.25 per additional room above the initial.

(b) Includes surface parking costs.

(c) Includes costs associated w ith admin and general expenses, information technoloy, sales and marketing, franchise fees, and operations and maitenance, and ultilities.

(d) See Appendix E for entitlement commodities cost calculations.

(e) See Appendix F for impact and permit fee calculations.

Source: BAE, 2020.

Appendix F-4: Full Service Condotel Pro-Forma

Development Program Assumptions			
Lot Size (acres/sf)		2.5	108,900
Total Building Area (sf)			115,753
Hotel			
	# of Keys	Avg. sf	Total sf.
Hotel Room Characteristics	34	400	13,559
		%	sf
Circulation		25%	3,390
Walls and Shafts		15%	2,034
Hotel Gross Area			18,983
Hotel Operations			
Days Open per Year			365
Available Room Nights			12,373
Average Annual Occupancy			62.0%
Occupied Room Nights			7,671
Condo			
	# of Units	Avg. sf	Res. sf
Condo Unit Types			
1-Bed	23	800	18,400
2-Bed	33	1,050	34,650
3-Bed	10	1,250	12,500
Total	66		65,550
		%	sf
Circulation		25%	16,388
Walls and Shafts		15%	9,833
Condo Gross Area			91,770
Condo Operations			
Average Annual Occupancy			58.0%
Days Available per Year (Owner) (b)			90
Available Room Nights Per Year (Owners)			5,940
Occupied Room Nights Per Year (Owner)			3,445
Days Available Per Year (Guest) (b)			275
% of Condo Units in Hotel Pool			80%
Available Room Nights Per Year (Guests)			14,520
Occupied Room Night Per Year (Guests)			8,422
Hotel Ammenities			
Conference/Event Space (sf)			2,500
Restaurant (sf)			2,500
Parking			
	# Stalls	Avg sf	Total Parking sf
Parking Configuration (c)			
Surface Parking	29	375	10,931
Surface Podium Parking	117	375	43,725
Total	146		54,656

Cost and Income Assumptions	
Land Acquisition (per site sf)	$20
Construction	
Site Preparation Costs (per site sf) (d)	$20
Hotel Hard Costs (per key)	$340
Condo Hard Costs (per sf)	$375
Restaurant Hard Costs (per sf)	$200
Conference Space Hard Costs (per sf)	$155
Parking Podium Hard Costs (per space)	$50,000
Soft Cost, (% of Hard Costs)	20%
Revenues	
Hotel Revenues	
Average Daily Room Rate (per night)	$250
Room Revenues (% Total Hotel Rev.)	64.0%
Food and Beverage Revenues (% of Total Hotel Rev.)	29.5%
Other Operated Department Revnue (% of Total Hotel Rev.)	3.6%
Miscelaneous Income (% of Total Hotel Rev.)	2.9%
Condo Revenues (e)	
Sale Price (per sf)	$600
Average Daily Room Rate (per night)	$350
Room Revenues (% of Total Condo Rev.)	60.5%
Food Revenues (% of Total Condo Rev.)	30.8%
Other Operated Department Revenue (% of Total Condo Rev.)	4.8%
Miscelaneous Income (% of Total Condo Rev.)	3.8%
Expenses	
Hotel Expenses	
Room Expenses (% of Room Revenues)	25.8%
Food Costs (% of Food Revenues)	68.9%
Other Operated Department Expenses (% or OODR)	64.8%
Undistributed Operating Expenses (% of Total Rev.)(g)	24.4%
Management Fee (% of Total Rev.)	2.9%
Replacement Reserves (FF&E) (% of Total Hotel Rev.)	1.9%
Insurance (% Total Hotel Rev.)	1.0%
Real Estate Taxes (% of Project Costs Net Sales Rev.)	1.1%
Condo Expenses	
Sales Marketing (% of Room Revenues)	3.0%
Room Expenses (% of Room Revenues)	15.0%
Food Costs (% of Food Revenues)	68.9%
Owner's Revenue Share (% of Total Revenues) (h)	50.0%
Financing	
Construction Loan	
Loan to Cost Ratio	65%
Initial Construction Loan Fee (points)	2.00%
Interest Rate	7.50%
Period of Initial Loan (Months)	24
Draw down Factor	60%
Total Hard + Soft Costs + Land	$64,426,633
Total Loan Amount	$41,877,311

Development Cost Analysis	
Land Acquisition Costs	**$2,178,000**
Entitlement Commodities Cost (i)	**$2,003,763**
Construction Costs	
Site Prep Costs	$2,178,000
Hotel Hard Costs	$6,454,237
Condo Hard Costs	$34,413,750
Restaurant Hard Costs	$500,000
Conference Space Hard Costs	$387,500
Parking Podium Hard Costs	$5,830,000
Permit and Impact Fees (j)	$2,532,448
Soft Costs	$9,952,697
Subtotal Construction Costs	**$62,248,633**
Construction Financing Costs	
Interest on Construction Loan	$3,768,958
Points on Construction Loan	$837,546
Subtotal Const. Financing Costs	**$4,606,504**
Total Project Costs	**$71,036,900**
Less Condo Sales	($39,330,000)
Plus Marketing Costs	$1,179,900
Project Costs Net of Sales Revenue	**$32,886,800**

Feasibility Analysis	
Revenues	
Hotel Revenues	
Room Revenues	$1,917,797
Food and Beverage Revenues	$883,700
Other Operated Department Revenues	$108,740
Miscelaneous Income	$114,328
Subtotal Hotel Revenues	$2,996,029
Condo Revenues	
Room Revenues	$2,947,560
Food Revenues	$1,500,198
Other Operated Department Revenues	$235,498
Miscelaneous Income	$185,803
Subtotal Condo Revenues	$4,869,058
Total Revenues	**$7,865,088**
Expenses	
Hotel Expenses	
Room Expenses	($494,743)
Food Expenses	($608,486)
Other Operated Department Expenses	($70,484)
Undistributed Operating Expenses	($730,974)
Management Fee	($87,238)
Replacement Reserves	($57,546)
Insurance	($30,006)
Real Estate Taxes	($361,755)
Condo Expenses	
Room Expenses	($442,134)
Food Expenses	($1,032,986)
Owners' Revenues	($1,252,713)
Total Expenses	($5,169,064)
Net Operating Income (NOI)	**$2,696,024**
Yield On Cost	**8.2%**

Notes:
(a) Based on three stories of hotel and condo over one story of podium parking, with additional surface parking provided.
(b) Based on the assumption that as part of a purchase agreement, condominium owners will be permitted to utilize their unit no more than 90 days in a calendar year.
(c) Parking Ratios:

Hotel/Motel	1 per bedroom and 0.25 per additional room above the initial.
Restaurant	0.25 per seat
Conference Space	4 per 1,000 sf of meeting space

(d) Includes surface parking costs.
(e) Revenue distribution based on blended ratio which assumes condo owners will generate food revenues at a rate of 50 percent compared to guests in traditinal hotel rooms and condo guests will generate food revenues at a rate of 90 percent compared to guests in traditional hotel rooms. Distribution accounts for night occupied by condo owners who do not generate room revenue, but do generate food and other revenues.
(f) Assumes guests renting condo units will generate 90 percent of food revenues compared to guests in traditinal hotel rooms.
(g) Includes costs associated with admin and general expenses, information technology, sales and marketing, franchise fees, and operations and maintenance, and utilities.
(h) Represents the share of revenues the condo owner receives for placing their unit back into the rental pool, after deducting 15% for general operations and maintenance costs.
(i) See Appendix D for entitlement commodities cost calculations.
(j) See Appendix E for impact and permit fee calculations.

Source: BAE, 2020.

APPENDIX G: DEVELOPMENT PROTOTYPE EMPLOYEE GENERATION

Use	Employee Generation Factor	Includes:	Hotel	Condo	Condotel	Residential Mixed-Use
Restaurant/Bar	1 FTEE per 200 sf	includes restaurants/bars inside resorts/lodges	n.a.	n.a.	12.5	25
Retail	1 FTEE per 650 sf	grocery, snow bard, jew elry, galleries, toy, sport stores	n.a.	n.a.	n.a.	n.a.
Office	1 FTEE per 350 sf	real estate, vets, medical, engineers, architects	n.a.	n.a.	n.a.	n.a.
Light Industrial	1 FTEE per 600 sf	lumber yards, w elding, printing, glass/w oodw orking shops, garages	n.a.	n.a.	n.a.	n.a.
Service	1 FTEE per 750 sf	personal needs, gyms, hair salons, banks, spas	n.a.	n.a.	n.a.	n.a.
Lodging	1 FTEE per 3 rooms	Hotels, motels, condos, condotels, apartments, single-family, etc.	33	n.a.	33	n.a.
Total Emloyees Generated			**33**	**n.a.**	**46**	**25**
Total Required Employee Housing Units (a)			**17**	**n.a.**	**23**	**13**

Note:
(a) These calculations do not take into account any employee housing need offsets that may be applicable when redeveloping property that was previously developed with employee-generating uses.

Sources: Placer County, 2020; BAE, 2020.